Sales tax forces film-makers to o'seas processors

by Warren Berryman

THE country's film industry is losing its lifeblood in a squeeze between Australian protectionism and the Government's revenue grab.

Turnovers for the big film and video production houses, Vid-Com and Concept Video, are falling drastically as more local film-makers take their film to Australia for processing and transferral to videotape.

The effect of the Government's 40 per cent sales tax on film on the local industry was summed up by one local producer: "It is now cheaper for me to pack my raw film in a satchel, fly to Sydney, stay in a good pub and booze it up while the Aussies process the film, and fly back, than to have the film processed here."

The Australian Government offers a 26 per cent export incentive for film processed in Australia and re-exported to this country. Film stock is cheaper in Australia than here, even without the sales tax. And Australian film production houses are involved in a price war offering cut prices both at home and abroad.

The Australian Broadcasting Tribunal has an embargo on all commercials made overseas and a tight quota on overseas drama productions.

Abiding by an OECD ruling, New Zealand imports and uses programmes and commercials made overseas. Thus the Australians can export to us, but we can't export to them.

Film-makers feel the Government did not realise just how much film goes into a 20-second commercial, or that the tax would be imposed at least three times before the final film was completed.

A film-maker might shoot a short scene from 10 to 50 times before being satisfied. If he shoots it 10 times, he is taxed 10 times for every foot of film he saves.

Work prints are then made from this film. At that point he pays tax on 20ft of film for every foot he will use.

He then edits the film to produce what he will use and makes an answer print. The film used for the answer print is also taxed.

The film can then be transferred to video tape.

Vid-Com general manager Eric Price said that "even the boat builder is not taxed on the off-cuts of wood he throws away whereas we are taxed on every foot of film winding up on the cutting room floor".

Film-makers complain that the tax leaves little incentive for other foreign film-makers to come here and no incentive for them to process their film in New Zealand.

Companies can get a duty draw back on film used for export. This involves time-consuming documentation and major cash-flow problems waiting for the money to find its way back from Customs.

The local film industry, many felt, was about to take off. But the sales tax is killing it at the point of flight.

Vid-Com, the country's biggest film and video production house with 54 employees and $3 million worth of equipment, has lost 40 per cent of its throughput to the Australians in the last year.

Price said he was not passing the added impost on to consumers. "Even before the sales tax we were lowering our laboratory prices to compete with the Australians," he said.

Price, who recently studied the Australian film industry, said the Australians coul ford to send salespeople offering cheaper prices export incentives paid by Australian Government tralian processing labora could cut costs by operati hours a day.

To keep up the round clock operation, they wer fering New Zealanders bottom prices and proce the film at night.

Price pointed out because of Australia's pr tion of its film industry, the top 20 television grammes shown last year Australian-made.

In this country the big user of film, TVNZ, sen bulk of its film to Australi processed because it cheaper.

Price and others in the industry have been push Government to adopt tectionist stance similar Australians' and to d sales tax on film.

If the sales tax is not film sources claim, it w in a lot of expensive pro equipment lying idle, unemployment, and drift of talented peo Australia.

They point out that sector of the industry the wall can affect the as a whole. For ex negative cutters are in supply here. These spec people often work as o tors in their own labor

Investment opportunity

WITH uncharacteristic usiasm for high-risk New Zealand investors put up $3.5 million for the million film *Race to the Y Zepher.*

Merchant banker Faye, and movie-maker Barnett are delighted overwhelming respons local investors.

It's not like investme shares, they explain; one be an enthusiast. The on equity is a producer reputation, big name and a script. The name game is to hit the jac producing another film *Rocky* (cost $1.2 million receipts $200 million)

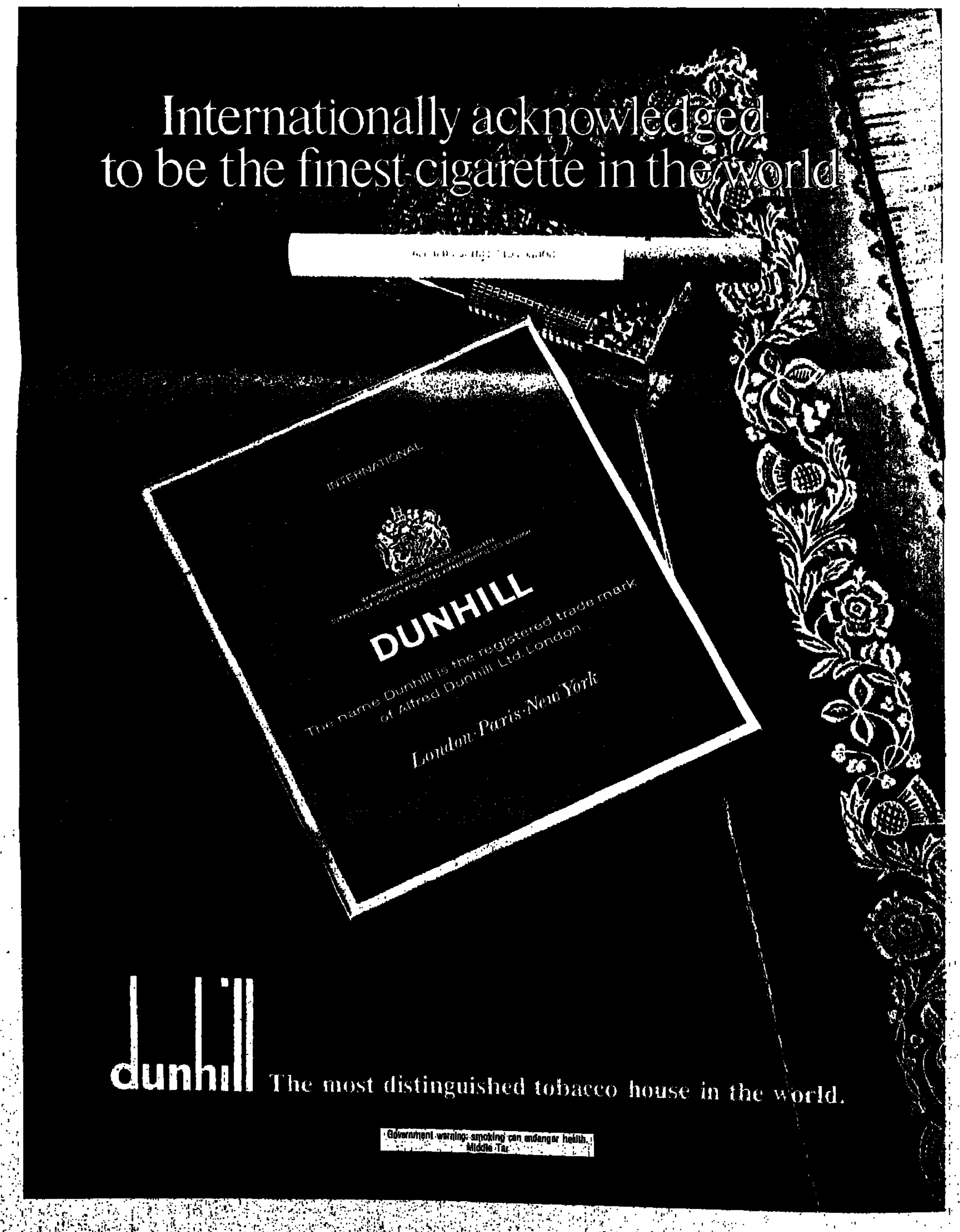
Race to the Yankee was originally to have made in Australia until backers were persuaded come to Queensland.

Several factors influenced the decision to make New Zealand the location:

- Australian Actors kicked up a fuss about number of foreign stars wanted more local people ployed;
- The Screen Actors Guild the United States is on jeopardising the shooting season in that
- Foreign film-makers becoming aware that Zealand not only has kilom of prime shooting locations local production and talent as well.

Foreign investment in film comes from the Brewery Group and Pa Ltd of Australia, a subsidi Adelaide Holdings.

The cast will include lead roles, one perhaps played by a New Zeal plus 20 to 30 minor parts by New Zealanders, and as well as a 60-man crew.



Volume 10, No. 36 (Issue 401) September 22, 1980 ISSN-0110-6813

NEW ZEALAND'S
NATIONAL WEEKLY OF
BUSINESS, POLITICS
AND ECONOMICS

NATIONAL BUSINESS REVIEW

Incorporating Admark

80 cents

Inside

THE WEEK

Keep-Talboys pressure growing in National Party — Page 3
Page 3
Wool Board opens doors to non conference bids — Page 5

COMMENT

Editorial. Without word of a lie. Brockie's view — Page 6
Jeff Gamlin looks at voter discontent in East Coast Bays — Page 6

LETTERS

Pages 8 and 28.

POLITICS

Remuera something ventured, something gained — Page 9

ECONOMICS

Restructuring without tears through PEP up effort — Page 11.

O BRIEN ON BUSINESS

Union Jack fades in Malaysian takeover bid — Page 12
Analysing annual accounts Hallenstein Bros Ltd — Page 13
Dear old dad acts as mortgage market backstop — Page 14.
A review of the weekly sharemarket turnover — Page 15.

MANUFACTURING

Feltex purchase gets Adams-Schneider off the hook — Page 16

FILM INDUSTRY

Fledgling industry's growth retarded — Page 17.

ADMARK

Farmers promotion aims to make friends — Page 19.

LAW

Thomas case involves important legal questions — Page 22.

OVERSEAS TRADE

Export subsidies accommodate illegal dumping — Page 23

TOURISM

Flying stowaway caught in full flight — Page 24.

MOTORING

Electric vehicles hover on the threshold of a new age — Page 25

ENTREPRENEURS

Slick vegetable oil refinery slides into debt — Page 26.
Kaipara's icecream hopes melt in Dubai heat — Page 27.

GOVERNMENT ADMINISTRATION

McLay called in to referee incorporated name game — Page 29

PLASTICS

Investment Unit encourages expansion, plastics play important role in energy saving, recycling explained — Pages 32, 33 and 35

THE MONEY MARKET

Shipping Corporation subsidiary helps plug profit leaks — Page 36.

Commission face-lift might mean Downey's departure

by Jim Hopkins

THE Human Rights Commission is in line for a face-lift if not a major restructuring. Commissioner Pat Downey's resignation may be part of the upheaval.

But Justice Minister Jim McLay won't disclose exactly what is planned or when any changes will take effect.

He will say only that he wants to see changes made and that he has been discussing the options with the commission for the last two months.

"I've had some doubts, and I've said so publicly about the direction the commission is taking," McLay told *NBR*.

"My concern is — and remember, the commission's been going for two years — that it should have achieved a greater measure of acceptability," he said.

"Now, I have no wish to interfere in those things the commission gets involved in, and I readily accept that any body like the Human Rights Commission established to change public attitudes will, from time to time, annoy people. But what concerns me is that the commission's educative role has not been highlighted as I would have liked."

That may be a prescription for a more passive role for the commission. But McLay insists the commission is still important.

"The establishment of the Human Rights Commission was a central point of our 1975 policy. It was something we emphasised a great deal," he said.

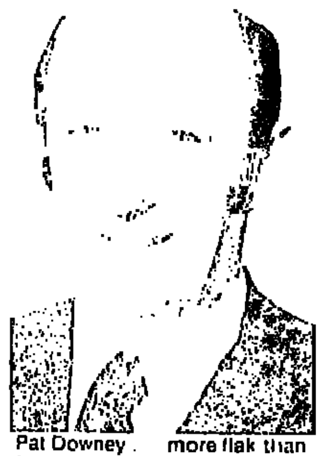
"I have no wish to see it founder in a sea of ridicule."

Such ridicule as the commission has attracted has largely revolved around two issues:

- The enthusiasm with which the commission has decreed, and policed, the acceptable use of gender in classified advertisements.

The commission' interpretation of its legislative brief on who can be specifically solicited in advertisements has met with criticism from newspaper publishers, editors and employers' representatives who have not taken lightly the fact that ads must pass the human rights test.

- The vexed matter of Muslim slaughtermen and Christian garage attendants.



Pat Downey . more flak than flattery

The commission gave the thumbs-up to ads for Muslim slaughtermen; the thumbs-down to ads for Christian garage attendants. It argued that being a Muslim was a necessary — indeed essential — attribute for anyone intending to be a Muslim slaughterman; but being a Christian was not a necessary prerequisite for the theologically less demanding task of garage attending.

The subtle argument has been difficult to sell in the marketplace. In the end, the commission found itself attacked by various parties for religious bias and/or bureaucratic niggardliness.

In both cases, Human Rights Commissioner Pat Downey was centre stage, arguing the toss and taking the lumps.

Last year, the commission and its classified ads policy were the subject of heavy criticism at the National Party conference. Before this year's conference the Prime Minister criticised the commission, saying it was not working as it had been intended to work.

Even long-standing commission supporters have [illegible] the [illegible] recently.

"Who the hell does he think he is?" asked Waipa's Marilyn Waring in the House when it was revealed that Downey had negotiated a move to new premises for the commission, without seeking the approval of his Parliamentary superintendents.

(The commission has negotiated a tenancy in the Northern Building Society Building on Wellington's Customhouse Quay till 1988. The now annoyed Waring, chairman of the Public Expenditure Committee and all-round financial watch-dog).

That, in turn, has meant that Downey continues to draw more flak than flattery — at least in public.

And it has been rumoured lately that his days as Human Rights Commissioner are numbered.

Some Government [illegible] have privately claim [illegible] [illegible] McLay [illegible] month.

"Oh, I think it's just a

Continued on Page 18

AFFCO tactic blasted

by Allan Parker

THE shock tactics used by the Auckland Farmers' Freezing Co-operative to tell 950 workers that their Southdown jobs were going to the wall have come in for almost universal criticism.

Management has been accused by the unions concerned, FOL boss Jim Knox and newspaper editorials of being "heavy-handed" about the announcement.

Even the Employers' Federation regards the action as insensitive and destructive. One federation official described the manner of the announcement as "extremely heavy-handed".

The federation would advocate a longer period between decision, announcement and final closure. This would spread the shock and allow retraining and relocation exercises to have a better chance of success, one source said.

The system is well developed in Europe, where government, employers and unions try to sort out unemployment problems created by the closure of large plants in the period leading up to the shut-down.

The federation would be keen to see such an institutional procedure adopted here to allow an earlier warning signal and a slower run-down.

It is understood the Planning Council will make similar recommendations in a report to be published before the end of the year. The report examines the problems of employment in depth and the council's reaction to discussions it has had with interested parties.

In the AFFCO case, the company admits it made the decision to close in May this year but waited some four months before announcing the decision, then giving five weeks' notice.

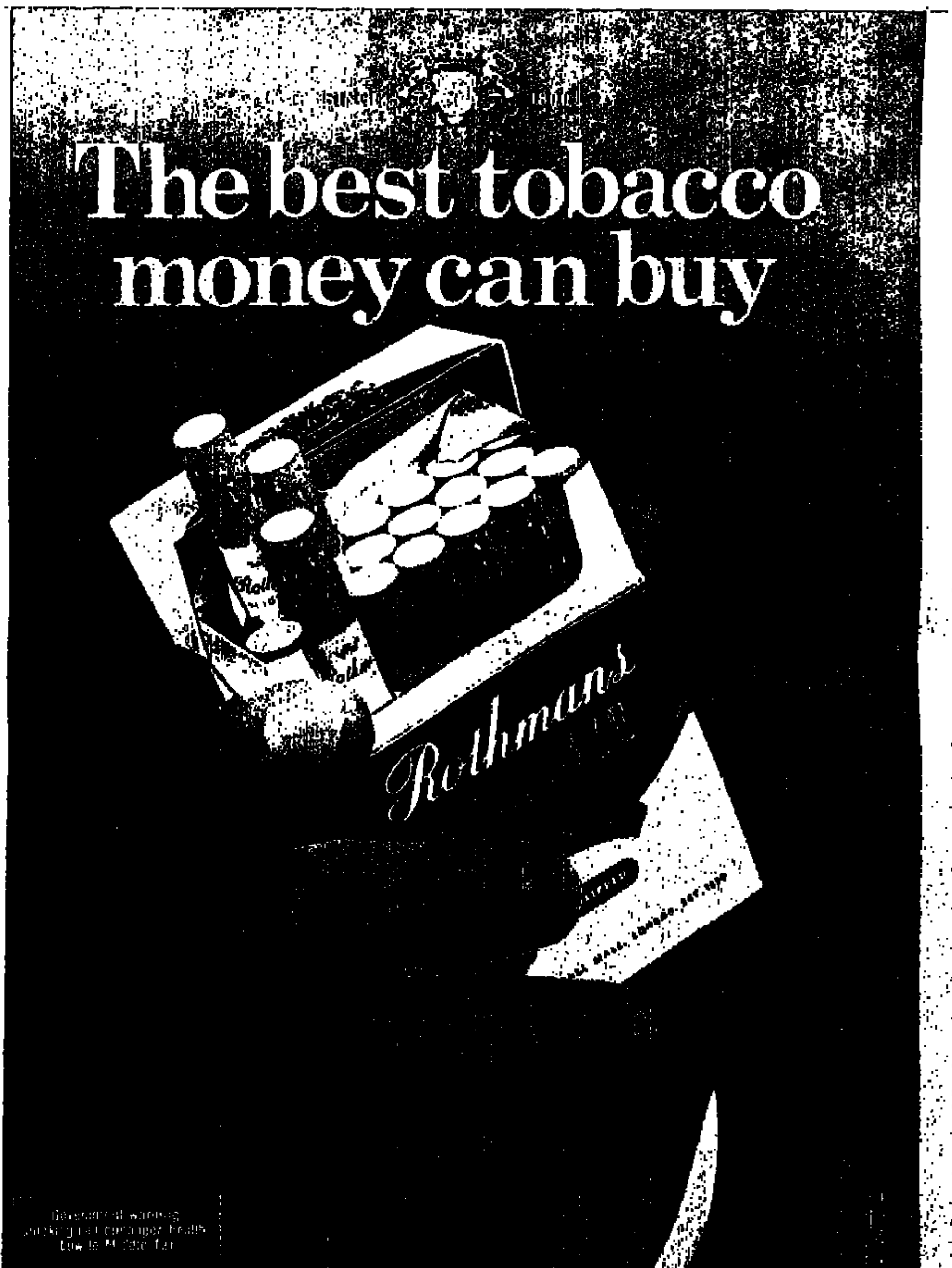
One of the reasons behind the AFFCO decision to delay the closure announcement was a fear of industrial sabotage by angry and upset workers.

Quality control is vital to the maintenance of export markets and the company felt an earlier announcement would have triggered a spate of sabotage incidents such as knives in boxes of meat.

Employer representatives agree that unions have a responsibility to discourage such actions. But they regard the fact that such considerations are taken into account as a lack of maturity on behalf of both employers and unions.

Certainly, the sudden-death aspect of the closure announcement will not endear the workers to the company.

The Employers' Federation believes that an open and honest approach by the company at the time the decision was made would have helped smooth the disruptions to workers, who now have just four weeks left to find jobs in a depressed market.



The business week

Eldersmith Goldsbrough Mort Ltd reported an unaudited tax-paid profit of $23,739,000 for the year to June 30 ($15,035,000 last year). A final dividend of 9c is payable on November 21.

Farrier-Waimak Ltd reported a net loss of $75,268 for the year to June 30 ($79,352 profit last year).

Fletcher Construction won a $22 million housing contract in the Middle East.

The South Island operations of **Hirepool Ltd,** a subsidiary of **Fletcher Holdings Ltd,** was taken over by **McKay's Hire Services Ltd.** Meanwhile some Auckland Hipepool Ltd staff took over its Auckland branches.

Hume Pte Ltd purchased two new companies: **Rex Plastics Pte Ltd** in Singapore and **Rex Plastics (Malaysian) Sdn Bhd.** The companies manufacture plastic containers and injection moulded products.

Lion Breweries Ltd made a takeover offer for **Burke's Caterers Ltd.** It will pay $2.45 cash for each Burke's share which previously traded at $1.60.

MSI Corporation will pay a final dividend of 10 per cent on October 30.

National Consolidated Ltd reported a tax-paid profit of $A7,886,000 for the year to June 30 ($A7,385,000 last year). A final dividend of 5c is payable on November 13.

Petrocorp farmed out a large chunk of its prospecting licence in Taranaki to an Australian company.

Property Securities Ltd reported an audited tax-paid profit of $605,022 for the year to July 31 ($635,221 last year). A final dividend of 13 per cent is payable.

New Zealand Refining Company Ltd reported an unaudited tax-paid profit of $1,753,000 for the half year to June 30 ($1,040,000 same period last year). An interim dividend of 5c is payable on October 15.

Waitaki NZ Refrigerating Ltd will pay an interim dividend of 5.75c on October 1.

Economic indicators

THE Consumers Food Price Index increased by 1.5 per cent in August and 19.2 per cent for the year to August. An increase of .7 per cent was contributed by the meat, fish and poultry sub-group.

MAJOR private importers placed overseas orders and payments (excluding those for mineral fuels) worth $179 million during July, an increase of 10 per cent from June.

RETAIL sales, totalling $645.7 million were up 25.8 per cent for July compared with July last year.

ACTUAL weekly wage rates increased by 16.5 per cent in the year to June 30 compared with a rise of 16.7 per cent at the same time last year.

SAUDI Arabia increased its oil price by $2 a barrel to $30 a barrel. Other OPEC countries froze their present prices.

Thomas seeks compensation

ARTHUR Allan Thomas sought $2.5 million worth of compensation for the 11-years he was in prison before his pardon.

THE application by Audrey and Jim Fitzgerald for an interim injunction to delay proceedings of the commission of inquiry into the Marginal Lands Board was not granted by Justice Hardie Boys. Their request for secrecy was approved.

INTERNAL Affairs Minister Allan Highet was re-selected as National Party candidate for Remuera.

FORMER UEB chairman Sir James Doig criticised Prime Minister Rob Muldoon's leadership and argued that a change would benefit the country and the National Party.

FORMER career diplomat Gerald Hensley was appointed permanent head of the Prime Ministers' Department, to succeed Bernie Galvin (new Secretary of Treasury).

NEW Zealand was criticised by Commonwealth Secretary-General Shridath Ramphal for inviting a South African rugby team here.

A GOVT move to withhold grant money to the forthcoming World Veterans Games in Christchurch if South African competitors attend could bar the 16 South Africans.

FOR the first time in 20 years Australian visitors to New Zealand made up less than half the total visitors to the country.

THE conference lines trading agreement, with the Wool Board in its present form will be terminated on October 1, 1982 (see Page 5).

THE Dunedin edition of the *Star*, published by NZ News, ceased publication after running for 11 weeks.

Magnate's interests widen

AUSTRALIAN shipping and transport magnate Sir Peter Ables, chairman of TNT and half owner of Union Steamship Company, has bought out Seatrain, a six-ship North Atlantic container carrier, for $US27 million.

It is understood that TNT has also expressed an interest in buying 11 per cent of ABC Containerline, the non-conference combination bulk-container shipper that has been making waves in the New Zealand and Australian markets.

ABC recently commissioned two new ships to be built in the United States at a cost of about $40 million. A novel aspect of the contract is that 75 per cent of the finance is being provided by the American Marine Engineer's Benevolent Association from its pension fund.

Hobart run in dispute

AUSTRALIAN airlines Ansett and TAA are arguing about who will run the Saturday Hobart/Christchurch/Hobart service, according to the New Zealand trade newsletter, *Travelgram.* The hassle may delay the start of the much-mooted service.

As a consequence, the Australian Government had not even formally applied for the route late last week when *NBR* inquired from New Zealand Government sources.

TAA filed for a Saturday departure time with its Government and then Ansett filed for the same — with an earlier departure.

The Australian Government may bang the airlines' heads together to mollify the Tasmania lobby before the general election coming up in a few weeks. Otherwise there will be delays past the planned start time for the service in November.

Aluminium debate

KERRY McDonald, director of the Institute of Economic Research, has challenged points made in our review last week of the institute's report on the national economic benefits of an expansion of the Tiwai Point aluminium smelter. A letter from him should appear in a future issue.

The week ahead

MONDAY: Automotive a Cycle Wholesalers conferen in Rotorua.

TUESDAY: Commerce a Energy select committee hea ing on estimates.

Health and Welfare sele committee looks at th Plumbers, Gasfitters a Drainlayers Amendment Bil

Lands and Agriculture sele committee looks at the Mi Amendment Bill.

Statutes Revision Committee looks at the Misuse of Drug Amendment Bill, the Legal A Amendment Bill, and th Passports Bill.

A 13-man Fletcher Holdi mission leaves for South Asia.

WEDNESDAY: Commerc and Energy select comm hearing on estimates.

Labour and Education s committee looks at the S Trading Hours Amendm Bill.

Petitions select comm hearing.

Foreign Affairs select mittee hearing.

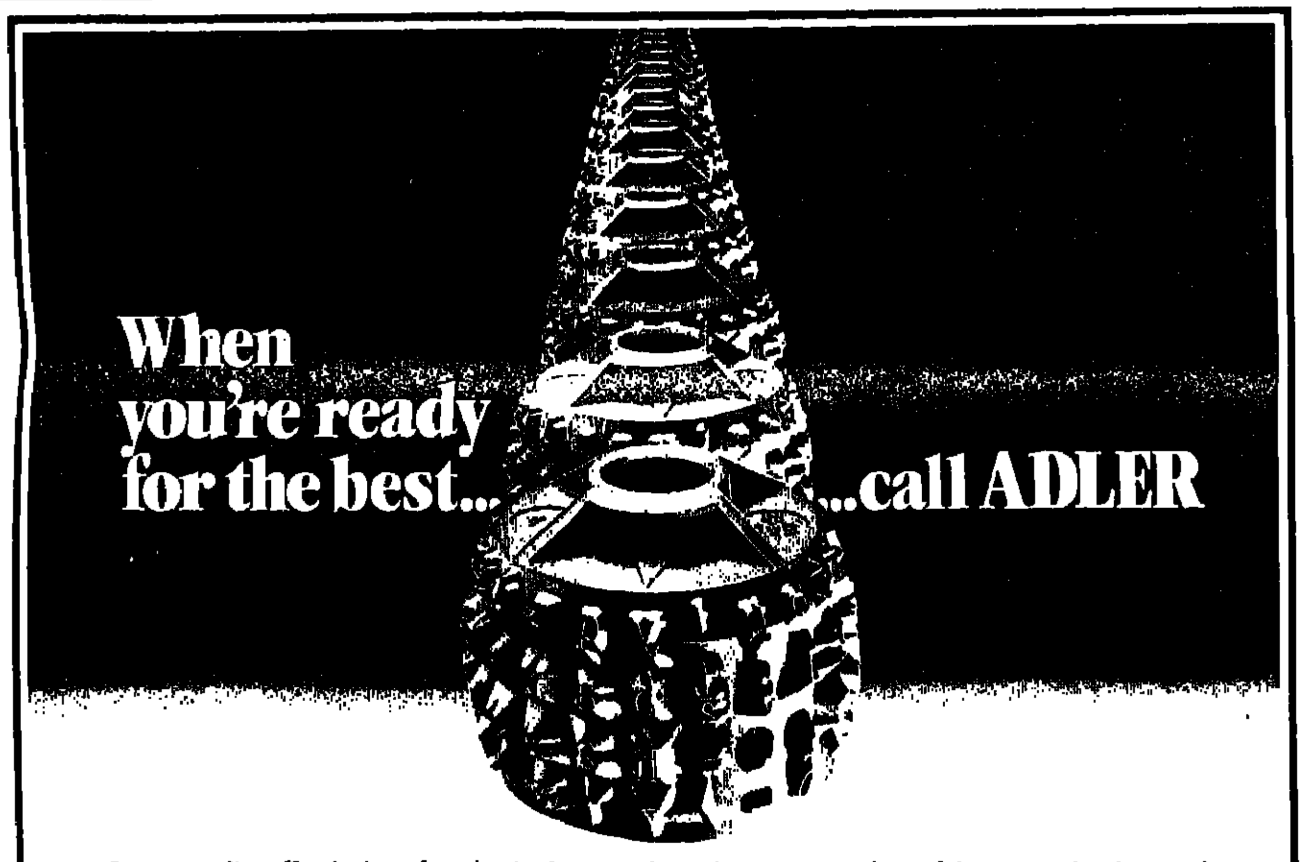
FRIDAY: Dr Donald B speaks on joint venture meeting of the Econ Society at Wakefield H Wellington.

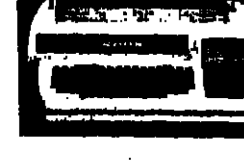
Hume Industries' a general meeting in Wellin

Hallensteins Bros a general meeting in Dune

Exchange rates

London	[illegible]
United States	[illegible]
Canada	[illegible]
Australia	[illegible]
Fiji	[illegible]
Austria	[illegible]
Belgium	[illegible]
China	[illegible]
Denmark	[illegible]
France	[illegible]
Greece	[illegible]
Hong Kong	[illegible]
India	[illegible]
Italy	[illegible]
Japan	[illegible]
Malaysia	[illegible]
Netherlands	
New Caledonia and Tahiti	[illegible]
Norway	[illegible]
Pakistan	[illegible]
Portugal	[illegible]
Singapore	[illegible]
South Africa	[illegible]
Spain	[illegible]
Sweden	[illegible]
Switzerland	[illegible]
West Germany	[illegible]
Western Samoa	





National Party increasingly turns toward Talboys

by Colin James

DEVELOPING informal keep-Talboys pressure in the National Party will be given a push by the latest Heylen poll for TV's *Eyewitness* and *NBR* showing Prime Minister Robert Muldoon at his lowest popularity point this year.

Muldoon had been mending his fences with the public, rating well above 30 per cent in recent months in the "best Prime Minister" stakes.

But in the *Eyewitness-NBR* poll taken on September 6, the day of the East Coast Bays by-election, Muldoon was back to 28.1 per cent — roughly the same as he was recording in the last few months of last year.

At the same time, National's fortunes dropped — from a little over 40 per cent over the middle months of the year (41.6 per cent in August) to 38.6 per cent on September 6.

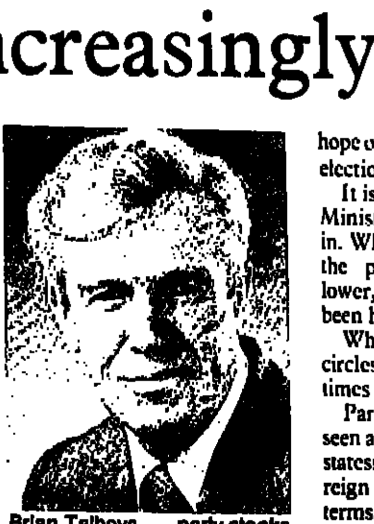
At the same time there was a big jump in public concern with unemployment.

That should favour Labour, but Labour has only just held its mid-year position of around 40 per cent. Social Credit got the pickings with a rise to 21.0 per cent after several months at around 17 per cent.

Thus the East Coast Bays swing was reflected, in a milder version, nationwide in the *Eyewitness-NBR* poll.

Simultaneously, Socred leader Bruce Beetham's popularity was restored to autumn levels while those of the Labour duumvirate, Bill Rowling and David Lange stayed put.

But Rowling's popularity declined slightly to his lowest point since before the last election and only fractionally above Beetham.


Brian Talboys . . . party stocks never been higher.

Muldoon remains well clear of his rival. But party faithful, still hot last week (at least in Auckland), will focus on the drop.

The current mood in the party (and it is probably worth emphasising that word "current") demands an antidote to a leader they see little hope of shifting before the 1981 election.

It is here that Deputy Prime Minister Brian Talboys comes in. While Muldoon's stocks in the party have never been lower, Talboys' have never been higher.

Wherever he goes in party circles he gets a warm, and at times rapturous, reception.

Partly, this is because he is seen as a decent politician and a statesman, who deals with foreign countries in gentlemanly terms, without petty name-calling.

Partly, and perhaps more important, he has been carrying the positive message of the Government's programme to *the party, and to a lesser extent,* the public.

Over the past four or five months — most notably in his Budget speech and his rousing address to the National Party conference — he has been propagating a message of hope and confidence.

Until a few months ago, the conventional wisdom in party circles was that Talboys would not seek re-election in 1981. He is said last year to have rejected approaches of high level to stay on.

But increasingly, insiders have begun to speculate that he might stay. One highly placed source categorically told me recently he expected Talboys to stay.

Talboys is keeping his own counsel. He was due to tell his electorate organisation his decision in August, but spent much of that month overseas.

He is now due to do so late *next month or early November* — the date depending on his next trip.

An increasing number of party notables and not-so-notables have been urging him to stay. Indeed, the representations made to him could be said to have reached draft proportions — though in an informal, not an organised, sense.

Partly these representations are aimed at having him available to take over the leadership if called on.

But they are principally aimed at just keeping him there — as a sane and steady influence at the centre.

If Talboys still decides to go despite the pressure, the deputy leadership question will be opened for resolution by early next year.

There are two contenders — Labour Minister Jim Bolger and Associate Finance Minister Derek Quigley.

Quigley must be given the better chance. Among party grassroots his star is rising quickly and among both party members and MPs he is seen as the more Talboys-like figure of the two.

Institute's muzzle fails

by Gordon McLauchlan

THE Consumer's Institute magazine, *Consumer,* will publish an article on New Zealand wines in its December issue, claiming half of them have unacceptable levels of tap water and cane sugar.

Late last week, the Wine Institute — nowadays wealthy and with a lot of political clout — was moving to prevent publication of the article.

A Wine Institute spokesman said: "I'm sure it won't be *published*".

But Consumers' Institute director Dick Smithies remained unphased and said the article had been prepared and would be published as planned.

Wine Institute executive officer Terry Dunleavy — asked at the end of last week if it was true, as rumoured, that his institute planned legal moves to stop publication — said: "I have received a discussion paper which is marked 'not for publication, quotation or attribution' so we're not allowed to talk about it."

He later repeated that statement and said it was all he would say.

The Consumers' Institute submitted 96 wines made by 39 New Zealand wine-makers to the University of Waikato for analysis to measure the amount of tap water and the amount of cane sugar they contained.

Details of the findings of the analysis will be published with the *Consumer* article.

Around half of the wines were found to have been "adulterated with water and/or sugar".

The Consumers' Institute sent copies of the draft article to the wine growers for comment.

In an advice memo to Wine Institute members, Dunleavy wrote: "I am assured by those who know the Consumers' Institute well that nothing is to be gained by threatening them publicly into a position which would embarrass them if they had to back down.

"It looks as though it is going to be a matter of gentle and diplomatic persuasion.

"A principal argument available is that a persuasion process will be to question the validity of the analytical process carried out by the University of Waikato."

Dunleavy suggests this can readily be done by using DSIR analysis results on wines in the 1979 National Wine Competition.

But the Consumers' Institute investigation involved not premium wines, but those available from the shops to the public. The Wine Institute's attempt to make such a comparison would therefore be invalid.

The Wine Institute has also sought from its members "in confidence" any information on whether any wines, analysed by the two different tests, produced different results.

It is understood the institute will also suggest that the Waikato tests were out of date and were made on wines produced before the change in Government regulations last year.

The Consumers' Institute says the tests were designed primarily as a benchmark to enable the institute to check marketed wines for cane sugar and tap water from time to time in the future.

The Consumers' Institute has also made it clear that if any attacks are made on the methodology used in the investigation it will be able to release other information in detail, significantly more than already released in the draft report to the wine companies.

Wool Board opens doors to non-conference bids

by Warren Berryman

THE Wool Board has terminated its exclusive agreement with the New Zealand European Shipping Association and opened its doors to competitive bids from non-conference lines such as ABC Containerline.

But the board has turned down ABC's offer to carry wool to the East Coast of the United States.

Wool Board chairman Doug McIlraith said of the NEASA agreement: "We had this agreement since 1975 and unless we gave notice before September 30 the agreement would stay in force until October 1982, when it could only be broken if we couldn't agree on a freight rate. And, of course, that's far too late to look around for an alternative service. So this will give Rosenfeld (ABC's owner) the opportunity to put something on paper if he can match NEASA in service and price."

Shipping sources interpret the Wool Board's move in two ways:

- The Wool Board is opening the door to more competition, bowing to presssure from Government MPs and Federated Farmers. Many wool farmers, the bulk of the New Zealand-owned sector of the wool industry and some free-enterprise MPs, see the relationship between Wool Board, shipping cartels and overseas wool brokers (known as the "wool club") as contrary to the New Zealand farmer's interest.
- The Wool Board has no intention of allowing non-conference competition. The notice to terminate the NEASA agreement and the possibility that freight-rate-cutting ABC might be allowed to compete is being used by the board as a bargaining lever to hold cartel rates.

The termination notice does not prevent the Wool Board from deciding, in 1982, to renew the agreement. In 1978 the Wool Board allowed non-conference Ace Lines to compete with the North American-New Zealand cartel for a brief period. Ace then carried wool at freight rates 10 per cent below those charged by the cartel.

After Ace had forced the cartel to forego a massive rate increase, the Wool Board invoked its statutory powers and barred Ace from the Wool trade.

Ace took its case to the American Federal Maritime Commission. It has since gone to the United States Justice Department's anti-trust division, which is considering prosecuting the cartel members for restricting competition and predatory pricing.

The Wool Board's statutory powers to dictate to private wool interests who they may and may not ship with were tested in court by ABC. The Wool Board's powers were upheld . McIlraith said future board decisions to invoke these powers would depend on the overall situation.

"For example, the present North American run is well overtonnaged and we believe that to allow more people in would only have one result — that's increased freight," he said.

On the European run, McIlraith said the board's prime consideration was service and it would look closely at whatever is offered.

Meanwhile the wool shipping scene is changing.

Harbour boards and shipping companies have invested heavily in containerisation.

The Wool Board, together with Dalgety, Wrightson NMA, Shaw Saville and Blue Star, has invested heavily in the Central Wool Facilities (CWFs) which centralise, consolidate, and containerise wool shipments.

But last year our biggest customer for wool was Russia. Growing wool export markets are China and the Middle East. And all this wool goes in conventional, not container, ships.

Unlike other cargoes, wool is easily unitised without using containers when a dozen or more bales are strapped down on a palet.

The internal freight costs involved in getting a bale of wool from, for example, Napier to the container port in Auckland are huge. It would be far cheaper to ship the wool direct from Napier on a conventional ship.

The cost of getting a bale of wool from farm gate to London docks via CWFs works out roughly like this: Cost in New Zealand from farm gate to ship 46 per cent; ocean freight 46 per cent; offloading at London 8 per cent.

Shipping companies are tiring of being given all the blame for high freight rates when a large slice of the total is beyond their control.

The true cost of the internal freight sector is hidden because the Wool Board includes it in the total. The shipping companies want this sector broken out.

McIlraith said he sympathised with the shipping companies on this point, feeling they had been unfairly charged because of our own inability to contain our own internal freight costs.

There was a strong possibility that the costs of the internal sector would be broken out, he said.

This breakout could cause some embarrassment for the Wool Board. Since the board set up its CWFs, it has tried various means of forcing wool exporters to use them rather than the independent source packers.

The charges levied by the CWFs and source packers to put a bale of wool in a container are established and approved by the Trade and Industry Department on a cost-plus basis according to capital employed in the facility.

These charges vary vastly from place to place.

CWF charges run thus: Wiri Wool Brokers' $2.36 a bale; Robert Ferrier Ltd charging $1.56 a bale; Napier Wool Dumpers $1.31; Wanganui, 75 cents; Gracefield, $2.30; Timaru, $1.35; Dunedin, 47 cents; Invercargill, $1.78.

The Christchurch wool dumpers, the CWF in which the Wool Board has a financial and managerial stake, tops the list at $2.60.

Independent free enterprise source packers such as Litchensteins, and the New Zealand Co-operative Wool Marketing Association charge 40 cents.

Breaking out internal freight costs from the total will highlight how the Wool Board's CWF system disadvantages the New Zealand-owned companies.

New Zealand Co-operative Wool Marketing, because it refuses to use the CWFs, has to bear its own internal freight costs. When it ships its wool overseas a portion of its freight rate is used to subsidise the internal freight costs of its "in club" competitors.

In a sense, the co-op is forced to pay twice.

New Zealand-owned independents such as Robert Ferriers and Mair and Company pioneered dense-baling in this country. With dense-baling they can get double the amount of wool in a container than their "in club" competitors.

After a period of intense lobbying the board granted a miniscule 7 per cent concession for dense-baling for the independents. Come January the board will cut this to 3 per cent.

Where they can ship non-conference on a per container freight rate, rather than with the conference which charges a per kilo rate, these independents can make huge freight savings — sometimes as much as 50 per cent.

As more wool goes with non conference lines, the independents will gain the sort of advantage over their "in club" competitors that the Wool Board has been trying to prevent.

McIlraith said he feared that as more wool went to independent source packers the failing CWFs' throughout would lead to increased costs.

Devco next target for US blitz on export subsidies

by Warren Berryman

AMERICAN officials are expected to take legal action soon against Devco, the wholly-owned New Zealand Meat Board subsidiary, on the grounds that our lamb exports are subsidised by the export subsidy scheme.

Devco has the sole right to market New Zealand lamb in the United States.

The United States International Trade Commission has already ruled that a *prima facie* case exists against Delta Plastics Ltd, of Palmerston North, after an American manufacturer of plastic ear tags charged that our export incentives are being used in effect as subsidies and that countervailing duties should be imposed on the exports.

American sources here now believe that meat industry interests in the United States will move against Devco, probably immediately after the American Commerce Department produces a preliminary decision on the Delta Plastics case, which must be issued by early November.

Meanwhile, the United States Government has decided to send a legal expert on trade and business law to Wellington to discuss the fine distinctions between incentives and subsidies with Government Ministers and public service officials. She is Dr Shirley Coffield, a partner in the law firm of Reaves and Coffield, which specialises in domestic and international trade and business law.

For four years until last August, Coffield was the principal legal adviser and chairman of a committee which developed recommendations for the United States President in response to allegations of unfair trade practices by foreign governments.

Dr Coffield will arrive here on November 3 and, after intensive talks in Wellington, will leave on November 6.

Rolland E ("Bud") Anderson, director of the Dairy, Livestock and Poultry Division of the United States Foreign Agricultural Service will arrive on October 29. Anderson, who served as the American agricultural attache in Wellington from 1970 to 1973, will talk to Federated Farmers, then join Coffield for talks with Government officials.

The combined visit is part of the American Embassy's public affairs programme for 1980.

There is no doubt the American Government feels that our export incentives are subsidies. In at least one official American briefing, the term "export subsidies" has been used.

The Americans claim that the incentives system contravenes the spirit of Gatt and the letter *of the Gatt agreement to which this country is a signatory.*

If the Delta Plastics case goes against the company, there is likely to be a queue of charges against New Zealand companies by American organisations. Some will be even more damaging to our trade if countervailing duties are invoked.

Such duties would have a serious effect on the United States as a lamb market.

Editorial

THE closing of a large Auckland freezing works must be gravely disquieting to a Government whose five-year wine-to-water economic miracle has resulted in unemployment levels of some 60,000. The Auckland Farmers Freezing Co-operative decision to shut down the Southdown works in one shock blow threatened to boost those numbers by almost 1000.

The personal hardship is incalculable. But the repercussions will be felt beyond the immediate anguish and doubts of workers tossed suddenly on to an uncertain employment market. They will be felt throughout a community where the workers' wage packets were spent, among transport operators who carted stock to the works, in businesses which serviced the works, and in the port through which the kill was shipped abroad.

But no matter how unpalatable the company's action or the high-handed manner in which it was announced to the people most immediately involved, the Opposition was woefully unrealistic in urging the Government to rush to the rescue to ensure that the plant be kept operative. That would mean ploughing taxpayers' money into a venture whose lack of viability was clear to all who put rational thinking before emotive, politically inspired claptrap.

Labour leader Bill Rowling personally did the workers a disservice by rushing to Auckland not only to address them, but to raise expectations that the inevitable would not happen. Introduced to the staff – according to some reports – as "our future Prime Minister", he no doubt was concerned at the plight in which so many people found themselves for reasons over which they had no control. He must have been aware, too, of the opportunity for political points-scoring. But his indications that he would mount a rescue operation if he were making the decisions – the works would not be allowed to proceed without "an all-out-fight", he proclaimed – might have made good, rousing rhetoric. It made little economic sense, and the company was upset at his intrusion.

Company general manager T R P Gibson insisted that, at a time when the staff could have considered the salary/redundancy package, Rowling's presence "may have raised false hopes" about a decision the company regarded as "irrevocable".

Certainly, the union shared Rowling's fighting attitude. It was "hoping for job security and not putting the men on the scrapheap", according to president F E Barnard; it rejected the redundancy settlement offer as "peanuts" and would accept "nothing less than the workers' jobs secured. Someone is going to have to get in and bail that place out".

Thus the union declared black an employment centre set up at the works; "Our members have been told to have nothing to do with the office and the defeatist attitude it represents".

Barnard had particularly good grounds for grievance, of course, when he complained about the company's short notice in announcing the closure. That point was taken up by many throughout the country – including the Employers Federation; the plant workers should have been told much earlier of the company's intentions. The company had decided in May that the works would close. It waited four months before announcing the decision and gave staff just five weeks' notice.

Without forthright discussion much earlier, union leaders – if they considered only some of the signs – could have been misled into optimism about the works' future. The company had a 14-year lease and was making capital improvements. But the shutdown (if not the timing) was anticipated in an Auckland Harbour Board study which indicated that Southdown and two more works – Shortland and Westfield – might be closed and relocated within 10 years. The board had been anxious, when undertaking the study of meat industry reorganisation last year, to determine the effects on Auckland trade if works were relocated in provincial centres. The need for unions to adopt similarly sophisticated techniques is clear.

But even without detailed study, there was evidence that should have raised questions. The works are old; they are under-utilised; they have been incurring increasing losses ($2 million this year). A $20 million investment was needed to bring them to standards demanded by the EEC. That investment would be ill-spent in an urban area in which other works can cope with stock throughput.

Killing and processing charges at Southdown were much higher than elsewhere. Fuelled by wage demands and hygiene costs, they have increased more than four-fold seven years.

The harsh lesson for the Labo movement and its union allies is that profi not the dirty word that some in the par insist it is. Without economic viability, the can be no jobs. And as Labour Minister J Bolger insisted (no doubt conscious of t wage bargaining benchmark exceeding 1 per cent), there was no point in believing th people could be paid more and more for le and less.

He would have preferred earlier advis the closure, he conceded. And that raised th role of the globe-trotting Robert Muldo Rowling argued that the Prime Minis who had been warned in advance of t pending shutdown, should have used ev available minute, with the help of Cabi colleagues, to explore alternatives. B Muldoon had been given the information i confidence as a courtesy gesture before h departure. Whether he ought to have be sworn to secrecy on an issue involving many people is arguable. Once made privy the information in confidence, however, h was bound to keep that confidence.

We would like to think he was bursting tell someone. And bearing in mind his use SIS information to slap Communist la on trade union leaders in the cause of g industrial relations, we may wonder ab the criteria he applies in deciding wh secrets he must keep and which he sh share with us all.

– Bob Ed

Without word of a lie

British MP's cure for economic myth-takes

TIM Rathbone, recent visiting British MP and ad agency director, had some observations worthy of consideration in Godzone:

"But inflation can and will be controlled as we, *in Britain, face facts and stop believing in myths.*

"Stop believing the myth that any Government has money of its own: the myth that Government can somehow overcome all the nations problems by printing money; the myth that a Government can spend the country's way out of economic trouble; the myth that a Government can protect a country for long by import controls; the myth that price and income controls provide a panacea for economic ills; the myth that we can maintain standards of living regardless of the country's economic performance, and regardless of the effect of external events like the huge increase in world oil prices; the myth that Government can do people's jobs for them or that Governments can create wealth."

Keeping abreast with Harry Schultz

THE latest issue of the *International Harry Schultz Letter* to come our way records the Second Annual Schultz Awards of Merit and Demerit.

Among those to receive Schultz's plaudits are Margaret Thatcher (most respected Western world leader with best policies); Freddie Laker (most outstanding entrepreneur), and Ronald Reagon (best-hope-for-survival-of-liberty award)

Brickbats were tossed at Robert McNamara (biggest-favour-to-the-West-by-resigning award); Ramsey Clark (blood-clot-to-the-brain award for his Iran incursion); Mrs Gandhi (the two-Left-Feet award, for giving female politicians a bad name), and the BBC (The Fellow Travellers Slimy-mike award for consistently biased (pro-socialist/communist) reportage to the BBC).

Our favourite award: the Golden Bra award to Lilliam Carter, who has the two biggest boobs in the United States – Jimmy and Billy.

So much ignorance in East Coast Bays

FAMOUS not-quite-last-words from National Party candidate Dr Don Brash, quoted in the *New Zealand Herald* five days before the East Coast Bays by-election:

"I would like to cut back Social Credit's vote substantially. They are promoting a policy which reflects a total lack of understanding of how the economy operates. I regret that some people are being taken in by it."

Advert not in beat with the conductor

INEFFECTIVE television advertising must come cheap when the Broadcasting Corporation's "associates" use the medium.

At 10.50pm on Saturday September 13, Network One ran a beaut advertisement for the Symphony Orchestra. We were told all about the programme, the conductor, the soloists, and where door sales were available.

All very impressive and informative. Then we found out that the concert advertised had been held in the Wellington Town Hall on Saturday, September 13, starting at 8pm.

The concert-goers may have got home in time to see the potential of a concert which finished about 30 minutes before the advertisement. Of course, there would be plenty of space in the Town Hall at that time.

National Party delegate shuns from striking

TICKERS and crossers are lurking in the National Party ranks it appears.

National Party selection ballots are completed by "striking out the names of the candidates for whom you do not wish to vote". At the Remuera selection one delegate voted with a tick (or was it a cross?)

But was it disallowed? No. The voter's intention was considered to be clear.

Brockie's view

Bowl loses hand in parcel post game

NO one is perfect but Post Office slips necessitate employment of 40 officers, who form the Post Office's Investigations Branch.

One function of this dedicated band, who must be costing perhaps $500,000 a year to maintain in wages and overheads, is to investigate damaged parcel compensation claims.

A colleague had the misfortune to put the branch through its paces with distressing results. A porcelain bowl, not the best item to entrust to the postal service of any nation, was carefully packed and sent from Italy many months ago.

Its arrival was announced in a message from the Italian consul who had taken delivery after the parcel had been sent on its own magical mystery tour of Wellington, despite the correct address being clear, to the receiver at least. Alas the delicate handle was severed from the bowl.

The investigations branch was sceptical. The parcel was adjudged insufficiently wrapped for transmission through the postal system, though finally it did concede payment of compensation for the bowl's value.

A return air fare to Italy was not seriously sought, but – because he cannot buy such locally – the complainant at least expected the pieces and compensation.

Not so. It was a money or the bag choice.

After approaches were made to senior officials the principle at least of accepting lower compensation and the pieces were accepted. But in the meantime, the ever-efficient gremlins had taken care of the bowl.

Where it is now, no-one knows.

NATIONAL BUSINESS REVIEW
Published by Fourth Estate Newspapers Ltd.
Managing Director: Reg Birchfield
Marketing Director: Ian F Grant
General Manager/Accountant: Stephen Underwood
Editorial:
Editor: Bob Edlin
Production: Ralph Green, Ann Taylor
News & Features:
Colin James, Rae Mazengarb, Stephen Bell, Jack Hodder
Contributing:
Finance: Peter V O'Brien
Auckland Bureau:
Warren Berryman
Gordon McLauchlan
Advertising Sales:
Manager: Paul A C S Loh
Promotions:
Manager: Kathi Scott
Circulation:
Manager: Jan Chee
Auckland Office:
2nd Floor, Leviens Building
Cnr Airedale & St Paul Streets, Auckland
Tel: 799-304
Wellington Head Office:
Fourth Estate Newspapers Ltd
15 Blair Street, Wellington NZ
PO Box 9344
Tel: 736-876
Cables: Natbus
National Business Review incorporates Adnart and is a registered publication weekly (except for last week December and first two weeks January).
Typeset and composed by Computype Services Ltd, Wellington. Printed by R Lucas & Son Ltd. 118 Kapiti Road, Paraparaumu.
Single copies: 80 cents
Subscription rate: NZ$30
Member ABC (Audit Bureau of Circulations)

Voter discontent exposed in East Coast Bays

by Jeff Gamlin

THE East Coast Bays by-election result has brought to the surface a latent discontent with the Government of proportions which must give party president George Chapman cause to lengthen the odds on a National victory in 1981 from his recent 50/50 prediction.

His post-poll analysis that "the vote result shows New Zealanders are not yet prepared to face up to the country's serious economic policies" accurately pinpoints the cause of the discontent. His understanding was not so apparent, however, when he went on to say that this protest is reflected only in by-elections, as in Rangitikei and East Coast Bays, and not when the party majority is at stake.

Chapman's faith in the New Zealand voter seems rather touching when we consider that governments of the day in country after country throughout the Western world have, rightly or wrongly, been held to blame for the continuing presence of the serious problems caused by economic recession and have been thrown out of power. Whether or not they have always deserved this fate, or whether oppositions could do better, generally has hardly seemed relevant to voters long conditioned by rising expectations. Governments have appeared helpless in the face of the combined problems of high inflation, mass unemployment and economic stagnation, and cries for understanding and patience have seldom yielded much consolation.

Only in stronger economies, such as Germany and Japan, where the worst effects of economic recession have been held at bay, have governments managed to survive. Prime Minister Rob Muldoon himself recognised his vulnerability with his comment a few months back that this was not a good time for governments to be re-elected.

In New Zealand, each election in the 1970s resulted in swings of opinion against the governing party, ranging from the very large to the massive. Contrary to Chapman's view that voter discontent with this Government emerges only in by-elections and not when its majority is on the line. National slumped disastrously in 1978 from a seemingly impregnable position in Parliament, and in one month saw a pre-campaign opinion polls lead of more than 10 per cent over Labour swept away to finish up trailing in the final voter count.

A clear picture is now emerging. It shows a pattern of dynamics significantly different from past or overseas experience.

On every occasion over the past three years that National has had something at stake, it has performed disastrously, or nearly. Yet each time the final result was a profound shock to everyone because – according to the polls and other indicators – National had entered each campaign in a sound and even dominant position.

Why, then, the sudden manifestation each time of widespread discontent with the National Government?

Part of the reason must lie with the nature of National's campaign. But to say that this is the exclusive reason is to state that this discontent emerged overnight from nowhere. Given the dimensions of the anti-National waves on these occasions, it is impossible to accept otherwise than that there already existed a solid basis of voter dissatisfaction.

The campaigns themselves have exacerbated and brought into the open such feelings.

For the past two or three years at least, there has been a significant but latent discontent with the National Government, undetected in the long periods between campaigns by the hypothetical type questions posed by opinion pollsters or by the unscientific electorate soundings of politicians. Why it goes undetected can be attributed to the very reason behind National's apparent dominance during these periods.

In a highly politically and administratively centralised nation of small size which has a mass media that lacks the independent strength of that in Britain or even in Australia, the National Government has succeeded in its use of the levers of power and the channels of communication to squeeze out from the political stage the Opposition parties.

Indeed, this is Muldoon's great strength and his most valuable contribution to National. Using his Prime Ministerial powers and prerogatives to the full, he is usually able to take and keep the initiative and to drown out the other parties. Months may go by in which hardly more than a whisper is heard from the Opposition. It is little wonder, then, that dissatisfied voters ask "but what is the alternative"?

In an open election campaign situation, however, these advantage of encumbancy no longer apply with the same force and Opposition parties are able to emerge as alternatives and get their message accross.

It remains now to discover the actual basis for this widespread discontent with the National Government. Chapman chooses to see it as merely a case of bad communications and a lack of understanding of its message. But National has had more than ample opportunity to communicate its message loud and clear. In fact, it is the message itself which is unacceptable to so many and the cause of the backlash against National.

Just as some Labour politicians tried to explain away the party's defeat in 1975 as a case of bad communications rather than agree that many of their policies and actions were the cause, National politicians must swallow the unpalatable and accept that, in all likelihood, a decisive majority of New Zealanders find their policies and actions unacceptable.

Government after government overseas has found that policies based on continued calls for restraint and "get in behind" for a long haul have not appealed to electorates grappling with the immediate problems of inflation, unemployment and falling living standards. There is, no doubt, an element of unreasonableness in this reaction, as the economic problems governments have to tackle are deep-seated in nature and ultimately require long-term solutions.

But what has more justifiably damaged National's economic credibility is the failure throughout its period of office to achieve any significant short or medium-term success. For some time National put all of its eggs into one basket and made the fight against inflation the top priority. It is now clear that it has failed to achieve anything there, and with the need to put money into the economy (with an election coming), the problem can only get worse.

In fact, the dampening down of the economy in an unsuccessful attempt to reduce inflationary pressures has worsened the problems of unemployment and productivity and National's long-term policy of restructuring is having considerable negative short-term consequences for employment and output.

The energy and industrial projects, because they are capital-intensive, will have no significant effect on employment, and the benefits from increased production and foreign exchange savings will not be felt for some years.

If National's message is unacceptable, so to is the means by which it is putting it across. Again, this is a problem which is accentuated in election campaigns.

If there are misgivings over Muldoon's aggressive approach in getting his message to the public, it becomes outright distaste in an election campaign situation. While these misgivings normally are tempered by the image of a Prime Ministerial Muldoon apparently in full control and successfully answering opposition, the image of Muldoon in a campaign allows for no such qualification.

He then comes across on the television sets of voters, addressing meetings of highly partisan supporters, as strident and discordant in the extreme.

National Party strategists were among the first to concede in 1978 that such performances on the hustings were a major reason for the party's near defeat. Even in 1975 Muldoon's performances were viewed by the party hierarchy as a serious campaign liability.

According to well-placed sources, in the last week before this polling day these top officials had convinced themselves that defeat was imminent, and the grand old men Jack Marshall and Keith Holyoake were pressured into coming out and giving Muldoon their public confidence and blessing.

It is amazing that Muldoon, who is normally adept at using the mass media to his own great advantage, does not seem to realise that in a campaign situation the combination of the old-style partisan politiking with the modern electronic media works to his great disadvantage.

More fundamentally, perhaps the basic approach followed by National in its campaign strategy is at fault. Here, it seems to assume that the strategems used so successfully in the inter-election periods can be turned up to full volume to serve equally well in a campaign. But the hustings provide an entirely different set of circumstances, as the benefits of encumbancy are no longer effective while the opposition parties cannot be squeezed and drowned out.

It would be foolish of National to take too much consolation from the big drop in support for Labour in East Coast Bay. the collapse of the Labour vote in Rangatikei in 1978 did not lead to a uniform swing against it in the subsequent general election. In fact it was National that felt the main impact of the Social Credit upsurge, with Labour managing to slightly increase its position.

There is clear evidence that voting in 1978 tended to polarise along pro- and anti-National lines, with many voters being motivated by the strategy of voting for the opposition party with the most chance of success. In the safer National seats where a straight-out bitter contest between National and Labour would always see it remain a blue seat, the swing to Social Credit was greatest and the movement away from Labour the most significant. But in the Labour seats and the marginal Labour-National areas, the swing to Social Credit was considerably less while Labour also tended to increase its share of the vote.

The marginal seat fought out between the two main parties where Social Credit made its biggest impact was Hastings. This intervention cost National much more to the extent of giving Labour the seat.

East Coast Bays belongs to this first category of seats, and the by-election saw a continuation of the 1978 trend, although at a greatly hastened pace. Labour's recent poor showing undoubtedly boosted this trend.

But it would be a mistake to view this as an anti-Labour move when we take it in the context of a normally blue-ribbon such as East Coast Bays.

Rather, it is more likely a case of whatever the pro-Labour feelings of many of the party's 1978 supporters being outweighed by anti-National feelings to such an extent that they were prepared to jump on the Social Credit bandwagon.

In a general election situation the key battles in terms of who will be the Government will still be fought in the marginal Labour-National electorates, and it will take only a slight continuation of the 1978 trend in these areas to put Labour into power. Additionally, of course, National will now have to fight some desparate battles against Social Credit in electorates it once thought were safe.

It should be remembered that in the year leading up to the 1978 election Labour was in far worse shape than it has ever been since. With memories of 1975 still fairly fresh in the minds of voters, with a weak Parliamentary team and an organisation in a state of demoralisation as a result of the mauling from Muldoon at his most effective, the party entered the final month over 10 per cent behind. That it was National which lost out in the final vote count illustrates that in a general election situation it is ultimately the Government which comes under scrutiny, not the Opposition.

Reviewed overall, the outlook for National is grim to say the least. It has no scope for any losses in its parliamentary position, as in 1978 it received less votes than Labour and was saved only by the whimsies of the electoral system.

To have any assurance of remaining in Government, National would need to increase its plurality over the opposition.

But a governing party has only achieved that twice since the era of Massey's Reform Government: in 1938 when Labour was at its peak, and in 1951 as a result of the waterfront strike.

National's very success at utilising the advantages of being the governing party has only served to blind it to a judgement of failure by the electorate over its economic policies. Its record in campaign situations has been hardly short of disastrous.

If National is persuaded by what it sees as the righteousness of its cause into believing that no fundamental changes are necessary and that there is to be a continuation of the political strategies which have yielded so much apparent success in the past, then there is nothing surer than that next year's election campaign will again see the rise of a vengeful electorate.

Anything short of fundamental changes in policies, personnel and in political and campaign strategies will see National go the same way as most governing parties overseas have gone over recent years. As did Labour six years ago in 1974, National now stands at the crossroads.

Jeff Gamlin is a freelance journalist

No they don't support Rob

BRIAN Lockstone and Frank Early of the *Auckland Star* have requested that I write to you seeking a correction to the article entitled "Great Scott! Some Agree with Rob". (*NBR* Sept 1).

They are not mentioned by name but they are the *Auckland Star* political reporters referred to in the story, which concerns a special Press Gallery meeting called to discuss the Prime Minister's attempt to stop Tom Scott from being accredited to the Commonwealth Heads of Government regional conference in India and barring him from the official party in China.

Mr Lockstone and Mr Early have expressed concern that the report is inaccurate and reflects unfairly on Mr Lockstone as the mover of the original motion and Mr Early who seconded it. The reason for putting their original motion (that the Prime Minister's declaration be noted and that no further action be taken) was to promote discussion at the meeting. Mr Scott was not present when the motion was put and it was not until some time later, when he joined the meeting, that Mr Scott made it clear he valued the support of the Gallery.

Mr Lockstone has pointed out that Mr Scott's clearly expressed opinion of the Gallery in past *Listener* articles raised doubts whether he would place any value on the Gallery's support. Mr Lockstone and Mr Early also made it clear in the discussions there was a need to involve others, notably editors, in any action the Gallery took.

It must be pointed out that the final motion deploring the Prime Minister's actions and asking the Gallery officers to seek support in opposing him from other journalist organisations (in New Zealand, Britain, Australia, Canada and India) and the Commonwealth Secretariat, was unanimous. This was not made clear in your article. The two *Auckland Star* reporters in fact spoke in support of the motion in various and unqualified ways.

Your article, and the headline, carried the implication that the *Auckland Star* reporters had stated their support for Mr Muldoon's attitude toward Mr Scott (the last sentence in the article). This is totally incorrect. There was never any suggestion of support for Mr Muldoon's aims. What was said did not mean, nor imply, support for a Prime Minister's attempt to interfere with the democratic rights of the Press to report where and when it sees appropriate.

The implication in the last sentence that the *Star* reporters had intimated to Mr Muldoon they did not support the Gallery's view is therefore quite erroneous and should be corrected. The reporters concerned have assured me there was no discussion with Mr Muldoon about the meeting and I accept that assurance.

I'm sure you would agree that any journalist would be upset if a newspaper article implied that he/she was in some way in collusion with Mr Muldoon over such an important journalistic principle as was at stake in the Tom Scott case. Mr Lockstone and Mr Early were the only *Auckland Star* representatives present at the meeting. The article reflects unfairly on others who were not in attendance. The two reporters are justifiably upset that their actions should be misinterpreted.

I don't, of course, expect you to reveal the source of your information. But I would make the point that while the meeting did not go into committee to discuss the matter no other news organisation, that I know of, published details. I issued a statement after the meeting in line with a unanimous motion. The fact that two Gallery members aired their views about Mr Scott and his attitude is quite natural. After all special Gallery meetings of this type are called to enable all members to discuss the issue at hand.

That always leads to differences of opinion on certain aspects. The input from the varying opinions expressed inevitably leads to a course of action being followed that has majority support of those present.

Your informant, whoever he/she is, does the Gallery a disservice by passing details of the discussions to you for publication. *NBR* does itself a disservice by publishing an article, which draws an incorrect conclusion about two members present at the meeting. I would appreciate it if you could redress this unfortunate situation.

Alastair Carthew
Chairman
Parliamentary
Press Gallery

When politician takes umbrage

IN your editorial view (September 8), "Politicians traditionally take umbrage when journalists try to tell the truth about what they are doing".

You are wrong. We are delighted when journalists try to tell the truth and succeed. We are sorry when they try and fail. We take umbrage when they do not even try.

David Thomson
Minister of State

Two companies don't compare

MR Parker's article on page 23 of your issue dated September 1, headed "... Mosgiel's demise" spends a great deal of time on comparing Alliance's history and future. The acquisitions of the two companies and the rationalisation achieved since bear little comparison. Alliance have three "free standing mills" — each can produce all parts of the final product whereas not one of Mosgiel's mills are organised as such.

A comparison of both Mosgiel's and Alliance's published accounts over the last five years will again show you the differences between the two. I refer particularly to sales growth compared with stock carry and interest payments.

Alliance will not have a monopoly by acquiring certain assets of Mosgiel. There is still strong competition in fabrics and yarns in New Zealand.

It is true that Alliance's exports have been its strength over recent years, but, surely this again shows the difference between the two companies, when our export sales were $5.4 million last year compared with Mosgiel's $1.22 million. (Alliance's exports this year were $8 million or 24.8 per cent of total sales).

Before your Mr Parker tries to influence the public I would suggest that he obtains more facts and informed opinion from the trade. Should you be interested I would be happy to assist you in any way.

F B McKenzie
Managing Director
Alliance Textiles Limited

The Australian connection

I READ with some interest the letter from A Anthony (*NBR*, August 25). Having just returned from Australia I know exactly why he is concerned.

There is some evidence that this sort of thing is becoming a considerable source of anger and frustration to many in New Zealand.

The modern saloon soars into the sky suspended by the belt from its radial tyres. It pounds over a bed of boulders, the camera records a close-up of every thud: the passengers and driver are untroubled and confident.

The car swoops along a water soaked wooden decking ... Horrors! ... straight for the end of the wharf ...

Relax! Let's hear it for the good old Kiwi-built radial tyre!

Seeing this familiar little drama on Sydney television gives rise to home thoughts from abroad, mainly the balding tyres on the family HQ.

Next day, August 21 1980, Tyre Power included the Kiwi radial in its *Sunday Sun* advertisement so I invited Barry Willis Tyre Services of Bankstown to quote me for a 185 x 14 version. Barry will part with one for $51. A pity that Barry is in Sydney and the HQ is in Christchurch.

Still, that commercial is pretty persuasive, so back in Christchurch I ask my friendly local radial specialist for a price on the same 185 x 14 tyre. To my total lack of amazement the same tyre that sells in Sydney for $51 would set me back $96.15 in its country of origin. Such is the price of fame.

All this gives rise to a few "abroad" thoughts from home. Such as the New Zealand worker on the average gross wage having to labour for three days to earn the New Zealand made tyre that Aussie counterparts buy with one day's labour.

Such as the New Zealand worker, consumer and taxpayer sweating to secure a highly competitive and relatively cheap consumer market for our Aussie neighbours. Gives you a nice virtuous glow inside doesn't it?

So, as I say, let's hear it for our brave exporting manufacturers, for export incentives and a protected home market.

Surely they deserve an award?

Eric Willis
Christchurch

No gain to the breweries

YOUR issue of *NBR* dated September 1 printed a contributed article by Mr John Gamby, a Victoria Univers psychologist, about a reduc in the levy paid to the Alco Liquor Advisory Council.

In the course of the arti Mr Gamby wrote: "The liq levy has been cut by two thi in direct contravention of ea lier firm commitments by t Government. The money th reduced goes back to the liq trade ..."

I am sure that the author d not intend to imply that the was some direct benefit to t industry, because this is not s

A check with the var authorities who are involved ALAC itself, Treasury, t Justice Department and t Department of Trade and I dustry — would show tha fact the levy is adjusted i mediately and the price changed so that there can be financial gain to the brewer wine and spirit importers, d tillers or wine makers.

J W Thomp
Direct
New Zealand Liq
Industry Cou

Remuera: something ventured, something gained

by Colin James

I SUPPOSE Remuera would come high on most people's lists of the country's most conservative and tradition-conscious areas.

Yet Remuera has now twice broken with tradition, to the National Party's considerable discomfort.

In 1943 (Sir) Ronald Algie challenged and beat Bill Endean, thus shattering the tradition of the MP's "perpetual mortgage" on his seat, a tradition up till then preserved by restrictive rules.

And in 1980, a brash outsider has introduced campaigning techniques that have shattered the tradition that selecting the MP for Remuera is a private affair of the National Party.

Allan Highet will get a minor place in history — and not just for coming back from the dead twice.

He has been the best Minister for the Arts we have ever had or are likely to get this side of the year 2000.

Rare among politicians in this race of rugged outdoor types, Highet is actually interested in the arts; even rarer, he actually knows something about them. That has been good for morale at a time when New Zealand's groping for cultural identity may be about to bear fruit.

Highet has also had remarkable success in squeezing money for the arts out of a largely philistine Cabinet hard times or finding alternatives bigger and snazzier lotteries (example: the Film Commission, key catalyst of a now vigorous film-making industry). And he has by and large carried the liberal banner when the tide seems set to flow for the moral conservatives.

He has his faults and failures: a querulous testiness when brooked; perplexing policies on local government. But he will deserve a line or two in the books.

So, however, will his Remuera tormentor, Doug Graham, the pushy, single-minded climber from Grammar.

When that great political columnist in the sky weighs up their impact on political life, it may be that Graham's will be found weightier than Highet's. Graham brought the public into MP selection.

The story began shortly before Christmas, 1978. National had just been re-elected and Highet, always a Marshall man and thus admitted only grudgingly by the Prime Minister to the Cabinet in 1975, had held his Cabinet seat thanks to party pressure on the said trigger-happy but under-a-cloud Prime Minister.

Privately, Highet regarded this as a triumph and settled into his last term. Those who thought Remuera was their main chance were in no doubt he would not be standing in 1981.

Surely once round the mulberry bush was enough and he had been round once when he was challenged in 1974 after some thought he should stand down.

Graham, like others, assumed Highet would go. At 36, having spent his energies amassing a lucrative law practice, a pretty wife and a mock tudor mansion in the best part of town, Graham was on the lookout for something better to do with his time.

Over Christmas the sometime passive National Party member (Upland branch) decided to run.

But he had not sought political office before, and knew nothing about National Party machinations.

So he turned to a client of his, Faye Torrance, principal of SEA-PR, a public relations firm of which he happened to be chairman. Despite the fact that Torrance's name was linked politically with former Labour Deputy Prime Minister Hugh Watt, for whom she had worked as a PR, and thus caused much clucking of tongues on the Auckland gossip circuit, it proved a fruitful alliance.

Consider Graham's predicament at this scene-setting point. He was unknown; he had not been involved in politics; he knew a lot about the law but a limited amount about other things. So:

- He began to read up on issues and do the rounds of what Values Party adherents would call "resource people". In 18 months he has seen more than 300 people with specialist knowledge or involvement in a wide range of topics and a remarkably catholic range of points of view.

- He (and Torrance) last year joined the ailing Parnell branch, encouraged (when approached) by retiring chairman John Priestley (a 1971 — and 1983? — hopeful) to come to the annual meeting and stand for the committee.

What Priestley did not bargain on was Graham turning up with 10 mates (or 15, depending whose memory you rely on) who signed up at the door and, since they outnumbered the six (10) regulars there, took over the committee with Graham as chairman.

But, steady on, old chap, such things are not done. Terry Quinn, who had been going to be chairman, obtained a nullification from Auckland divisional chairman Stuart Masters on a technicality. At the better attended rerun the Grahamites were outvoted and he demoted to vice-chairman to Quinn.

- Concurrently SEA-PR began marketing Graham through the media, at first just as "an Auckland barrister and solicitor" and then as MP hopeful.

Torrance scored a hit with his first statement in April, 1979 — carried by most daily newspapers, besides weeklies and magazines. The subject: frustrating export approval procedures.

She also sent him out to meet media people. He was a curiosity. And he said some of the right things. He got publicity, through articles he wrote (in the Christchurch *Press* and *New Zealand Herald*, among others), journalists' writeups of him and reporting of his statements, on radio as well as in print.

An example: the local weekly *Courier* carried a two-page spread by Bute Hewes (subsequently turned Highet supporter) on Graham's family tree (rooted in Remuera, of course).

There was also a glossy manifesto in June, this year ("... anyone who intends to stand for office should make his views known . . . .") delivered throughout Remuera.

That cost $3500, bringing Graham's total campaign cost, in direct spending and foregone earnings, to more than $20,000 — a lot more than the party will spend getting Highet back into Parliament.

The result has been a demand for a dominion council limitation on pre-selection campaign spending (once upon a time all pre-selection campaigning was banned).

By publicity standards, it has to be judged a successful campaign. The packaging was good.

But what about the product? The brash, relentless campaign made journalists suspicious of a man they thought a bit slick, a bit too much the pressure-cooked fast-food-politico.

On the other hand, his disdain to cover the nakedness of his ambition had an attraction and there seems to be no reason to doubt the genuineness of his libertarian economic stance.

But he came on a bit strong for an electorate used to operating by a host of unwritten rules. As Graham set out to enrol members and thus build a power base, fears grew of a Parnell-type takeover of the whole electorate.

Some people — not all of them entirely disinterested — thought by annual meeting time in March, this year, that Graham had got such a head-start on other potential candidates that there would not be what they call an "open" selection with a good spread of runners. Evidence of Graham's substantial minority block-voting support came in his election as a conference delegate.

A stop-Graham movement began. Highet felt prevailed upon to answer the call.

But Graham did not take the hint. He went on signing members (at selection roll-off there were 4560).

This plus a widespread residual feeling that Highet should go and a party-wide [illegible] [illegible] in the Highet camp in July. Branches were coming up to their "topping-up" elections of selection delegates to match membership totals.

The additional candidacy of former electorate chairman Ross Baxter added to the uncertainty by possibly attracting slippage votes from Highet. (In the end, it seems he took votes more from Graham.)

In late August the party whips took the astonishing step of absolving Highet from parliamentary duties so he could counter Graham on the ground. That turned the tide.

Highet's campaigning is an important first in New Zealand politics, the first official acknowledgement of the importance of the candidate selection in a safe seat.

Another first was the blow-by-blow accounts in the press, as branches elected their selection delegates — so many for Highet here, for Graham there.

That was a first, too: open campaigning for committed delegates — just like the American "caucus" primaries (party selection of committed convention delegates) though short of the American "open" primaries in which the public votes.

Delegates are supposed to go to selections with an open mind. Though this is an ideal honoured often in the breach these days, it has never been so flagrantly flouted as in Remuera.

Graham, the unforgivably pushy career-bent climber, has cut a hole in the dyke of secrecy and private rituals that characterise the appointment of many of our MPs.

The party will put fingers, thumbs, fists and shoulders in that hole and holes others will make. But Graham, even in losing to Highet, has made it less likely it will succeed.

Restructuring without tears through PEP up effort

Economics Correspondent

UNEMPLOYMENT is nudging 60,000. This is 5 per cent of the labour force based on the latest official figures for employment.

And these figures probably understate unemployment. The official statistics of registered unemployed and those on special work do not include those who want part-time work, who are shy about registering with the Labour Department or those willing to work who are supported by a spouse on a full-time income.

Also, some of those measured in the last official labour force count in 1975 have migrated, shrinking the base figure for total employment.

The actual percentage of the labour force which is unemployed could easily be closer to 10 per cent than 5 per cent.

Recent discussion on restructuring the economy has centred on the employment question. It appears that the Government believes that an interim increase in unemployment is one of the costs of restructuring, but that this is the price of more economic growth, a higher standard of living and more employment (and less unemployment) in the long-term.

But two recent studies suggest that there is no guarantee that measures to restructure the economy will lead to more employment in the long-term.

Researchers with Victoria University's Project on Economic Planning (PEP) argue that analysis of restructuring options have tended to be too fragmented and over-simplified.

Using the PEP model, they show that restructuring toward exports is no guarantee that unemployment will fall.

In *Interfacing industry-level and economy-wide models for planning*, Ken Lowen and Bryan Philpott use the example of forestry to show that it is possible to extend the Industry Studies Programme (ISP) analysis to consideration of the national costs and benefits of different restructuring proposals.

As Lowen points out "when the ISP became official Government policy in May 1975 . . . there was little enthusiasm among most officials for committing resources to the exploration of the necessary technical framework into which all the studies could fit". The individual industry studies were not co-ordinated in anyway. There was "a perpetuation of the plague of separate institutions" including the Industries Development Commission, the Commission for the Future and the New Zealand Planning Council.

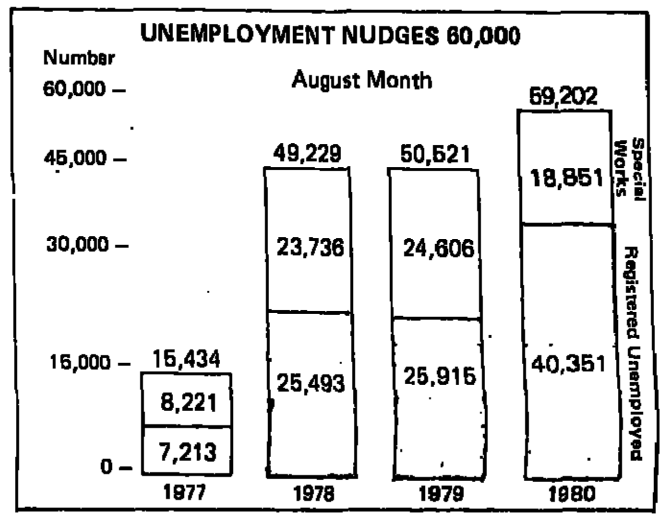
"Consequently, the ideas on the type of technological back-up required to explore options holistically have been obscured by fragmentary analysis and dereistic debate seeping up from that miasmal ideological swamp of over-simplification, market forces versus government regulations."

While the umbrella of agencies considering the restructuring options blossomed out, the Project on Economic Planning continued its work developing a model which provides a focal point for those carrying out industry studies. In addition to other refinements, the PEP model has been expanded from 14 to 26 sectors derived from up-to-date Department of Statistics input-output tables.

The aim of the PEP model is to establish the optimal structure of the economy in terms of the allocation of labour, investment, imports and exports. Optimality is defined in terms of a level of real private consumption expenditure which allows decent living standards and economic growth.

This model has been developed to analyse many of the "what if" questions asked by those looking at restructuring options. Lowen argues that industry study models should be designed in such a way that they are consistent with a core model such as the PEP model. This will enable co-ordination of the studies and will provide a more appropriate tool for informed and flexible economic management.

In *Unemployment and Structural Change*, Bryan Philpott and Adolf Stroombergen use the PEP model to analyse some of the "what if" questions about the employment effects of restructuring.



The authors assume that the aim of policy is to secure full employment which they regard as a good thing in its own right and that the failure to achieve it now ". . . is the most worrying feature of the current economic scene".

Structural change can take place in several ways. It may be the allocation of resources to different sectors, a change in the pattern of investment and the composition of the existing capital stock, a change in the balance of effort devoted to exports of varied types compared with a development of local industry producing goods we now export and/or a change in the methods of producing goods and services (for example, a change in technology or re-organising an assembly line so that it uses more capital and fewer workers).

The authors state that "most structural change must occur in conditions of general economic expansion" because most capital is non-malleable (a typewriter is not easily changed into a different type of machine, for example) and labour is not mobile (workers with families cannot move easily from job to job). Since the economy is not growing now, the PEP model is used to analyse the future to 1985 when some expansion should occur.

A look at past trends shows that changes in employment can be explained by changes in demand (the income consumers want to spend here) and changes in productivity (the rise in output created by new inputs). The PEP model also shows that a general rise in exports creates more employment than a general rise in demand and that an expansion of some particular exports could produce even more employment. But those exports that are most remunerative in terms of employment creation make up only a small proportion of total exports now.

To attack the question of restructuring, the PEP researchers first look at a case where there is no structural change. Then new cases are introduced which allow for increasing flexibility in production and trade, while constraints on restructuring such as the investment ratio and a constant export growth rate are relaxed. As greater flexibility is introduced, unemployment is slowly but steadily reduced.

A major reduction in unemployment occurs when investment is allowed to rise. In other words, no matter how flexible the economy is made to be, without more investment, unemployment would remain hopelessly high.

The next major force toward reducing unemployment is a rise in exports. But Philpott and Stroombergen argue that "even with very high levels of exports, a degree of import substitution is still imperative".

The model's results indicate that full employment can be secured by a rise in government expenditure provided there is a reduction in private spending as long as labour intensive methods and import substitution are encouraged.

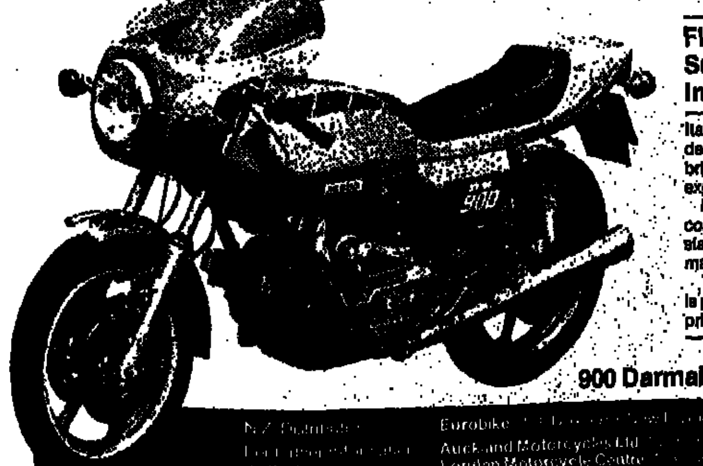
When new technologies are considered, the implications for employment are "disastrous". Even if there are shifts toward greater import substitution and labour-intensity, a faster rate of technical change implies a rise in unemployment to 90,000 by 1985. Only if there is a fall in private consumption will it be possible to achieve full employment if there is a faster rate of technical change.

While increasing exports will certainly improve the employment situation, it is not the full answer. When exports are assumed to be as high as possible, unemployment of 60,000 is indicated by the PEP model. The model's results suggest a mixed policy encouraging export growth and import substitution is the order of the day.

Given an uncertain future, another question analysed by the model is the future path of least regrets. Using game theory analysis, the PEP team asks: "which of two policies, planning for high exports and planning for low, would occasion us minimum regret if our expectations turned out to be false?" They found that "our minimum regret would be if we planned low".

Or in other words, the minimum regret policy is one which is based on a low expected export gain and which stresses policies of import substitution rather than one which says that import substitution should take the back seat to exports.

And a final issue considered by the PEP model is the employment implications of the energy programme. All the results include the 1980-85 energy programme. The authors find that "by itself . . . the energy programme will do nothing whatsoever for reducing unemployment. Indeed, there is some evidence from analyses that the programme is, if anything, deleterious to employment".



Malaysian takeover bid: Union Jack fades further

PETER V O'BRIEN comments on the financial and business week, appraises the share market and analyses the company accounts.

AN international battle for control of the worldwide Dunlop group could have an indirect effect on New Zealand's carefully licensed tyre industry.

There has been significant share buying in the London listed company, Dunlop Holdings Ltd in recent months. The impetus for the purchases is coming from Malaysian interests. At present they appear to lack the common link, which would bring into force the British rule of "acting in concert" (a concept which exercised New Zealand's Commerce Commission in the Fletcher/Carter Holt affair).

A lengthy article in the *Far Eastern Economic Review* last week, quoted a Dunlop director as saying that South-east Asian holdings in Dunlop do not exceed "20 to 25 per cent". (The *Review* first commented on the buying in June.)

Other sources dispute this figure and claim that anything up to 40 per cent is already in Malaysian hands.

Economic nationalism and industrialisation in Malaysia is at the heart of the share buying, which started earlier in the year.

But no one group appears to have more than 5 per cent of Dunlop. That is a logical approach to acquiring a British-based company, because at 5 per cent the interest has to be declared under British company law.

At 30 per cent, a formal takeover is required under the City of London's takeover code, but the connections between various shareholders are said to be so loose at present that it would be impossible to claim they were linked.

This also has shades of the Fletcher/Carter Holt affair, because two groups now hold 48.5 per cent of Carter Holt's capital, but it is difficult to show that they were acting in concert, although one (New Zealand United Corporation) agreed to sell its holding to Fletcher.

If, at some future time, the various Asian shareholders in Dunlop come together, it seems they would start a takeover bid with a virtual guarantee of at least half the British company's share capital, and thus the result would be a foregone conclusion.

Following the moves and counter-moves through the pages of the London *Financial Times* and the *Review* is a tortuous business, because the inner workings of Malaysian politics and business relationships are difficult to unravel from New Zealand.

Basically, it seems there is a combination of economic nationalism, through *bumiputra* organisations (Malay-controlled) and the desire to move from mere production of raw rubber into further processing into tyres and other products. The latter involves considerable expenditure on technology and marketing, which the purchase of an international rubber group would provide, at a sizeable cost reduction.

There would be a happy marriage of national aspirations and economic commonsense in an acquisition of Dunlop.

The manoeuvres have got to the stage where British Department of Trade inspectors have requested information from various Malaysians on their holdings.

Where does all this leave Dunlop New Zealand Ltd?

The local company has an involved parentage. Dunlop (New Zealand Holdings) Ltd owns 51.7 per cent of Dunlop New Zealand Ltd. The former company is 60 per cent owned by Britain's Dunlop Holdings Ltd, with the balance being held by Italy's Pirelli SpA and Societe Internationale Pirelli of Switzerland.

Therefore, any new owners of Dunlop Holdings would have automatically 31 per cent of Dunlop New Zealand Ltd.

The Pirelli shareholding in Dunlop (New Zealand Holdings) and the Italians' relationship with Dunlop Holdings of Britain would be the major question in the final control of Dunlop in this country.

Apart from its direct interest in Dunlop New Zealand (an effective 20.7 per cent), Pirelli is tied in directly with Dunlop, Britain.

The relationship between the Italian and the British company can be ended if any other party acquires 25 per cent of either partner, but that is thought overseas to relate more to possible nationalisation of either company than to an outsider buying a substantial stake.

The New Zealand Government set up a tyre industry after the war by licensing three operators: Dunlop, Reidrubber (now part of Feltex) and Firestone, which started a marketing operation in New Zealand in 1928, and entered tyre manufacture at Christchurch in 1948. Reidrubber began its tyre manufacturing business in 1949, under the Government's scheme, and organised an arrangement with BF Goodrich. Feltex bought the company in 1970.

The Government of the day was conscious of war-time shortages when it established the local industry (which may explain why the three companies had associations with either Britain or United States manufacturers).

Malaysia was merely a source of rubber in those days, although it took some time after the war for plantations to get back to full production. No New Zealand minister or administrator could have thought that 30-odd years later there would be a strong chance of one New Zealand tyre manufacturer indirectly coming into the hands of Malaysian businessmen and organisations close to the top level of Malaysian politics.

Thus fadeth the economic Union Jack. Ironically, two of the principal Malaysian players in the present Dunlop drama are the sons of workers on Dunlop rubber estates.

Market action turns its attention to mining shares

THE sharemarket faces a poser, at least in the short term. Has the leaders' great leap upward come to an end?

The major forestry-based (or forestry-associated) companies had an excellent run this year, but they slowed down in recent weeks. The table shows the closing prices for the "big four" on August 1, their continuing advance until August 15, and the prices at close of business on subsequent Fridays until September 12. (*NBR* deadlines force us to omit the prices as at last Friday.)

Company	Closing Price					
	Aug 1	Aug 15	Aug 22	Aug 29	Sep 5	Sep 12
NZFP	340	368	368	351	358	[illegible]
Fletcher	358	375	375	370	370	[illegible]
Tasman	290	305	329	330	333	[illegible]
Challenge	258	292	297	300	300	[illegible]

The downward movement in Forest Products in the week to August 29 relates to price going ex dividend, while some of Challenge's gain between August 1 and August 15/22 is associated with anticipation of the company's preliminary profit, and subsequent confirmation of the expectations plus the addition of the final dividend.

But the major forestry companies (and Challenge is equity accounting 28 per cent of Tasman) are marking time. It is an open question whether they will have another surge when half-year reports are available, or whether the market has taken account of profit projections for 1980-81.

The market probably wants confirmation at half-way that these groups are performing up to expectations, when some marginal improvement may be seen in share prices.

Profit-takers are another element in the static prices over recent weeks. When investors see substantial capital gains some are tempted to take the profit and either go liquid or reinvest in other areas where the personal opportunity cost provides a higher return.

That might apply to the occasional institution which wants to improve the overall yield on its portfolio, as well as realise gains on at least part of its holding in the big boys.

One intangible factor could affect the prices of these companies (and others). Even in the "free and open" New Zealand market, people are not above "talking up" stocks when they enter a static phase.

On the other hand, some of the market action is turning to the mining shares, insofar as New Zealand can be said to have "mining" companies.

No doubt the speculators will make substantial profits from this activity, but the day will come when some "investors" will find they are holding melted snow in the odd mineral investment.

Last week five New Zealand-based stocks were listed on the mining boards. In the same month in 1972 the miners boasted a magnificent 10 (both totals exclude the Australian companies with a New Zealand listing, and those wonderful unlisted operations of yesteryear, Nickel Spoon and Cascade. Ah memories!)

There may be oil, gold, silver, and other things out there, but, for those with short memories, some old hands remember when L & M hit $3.25 before it was listed on the boards (the brokers traded "apples and pears" to get their clients a stag gain). Eighteen months later (in April 1972) it was down to 41c, before dropping further.

New Zealand Petroleum, today's high flier, reached $2.35 in 1970, and at the end of 1972 (November 14) sold at 45c. When everybody went home for 1972's Christmas (little knowing what Opec and other sundry nasties were going to do for them in 1973), a buyer was languishing on the boards at 44c with no buying quote.

NZ Petroleum announced a drilling programme last week, so interest in the company's shares should be maintained.

There is nothing new in these waves. A copy of the Wellington Stock Exchange's call list many years ago shows lines ruled through numerous mining companies, which were struck off so fast that the exchange had no time to print new lists.

It happened again in the 1920s, and no doubt will come and go in future years. All we need now is some bright lad to float off a new mining company. When that happens we have come full circle, and people will wander around the nation's watering holes, commenting learnedly on "anomalies", "grid patterns" and the usual patter of the speculative fever.

The country may yet strike it mineral rich, but it is a long tedious process, and costs large sums before the stuff comes out of the ground. In the meantime, those with strong heads and tough stomachs will probably make killings in New Zealand mineral stocks, which carry only as much risk, and potential profit, as your average two-up game.

Note: The writer neither owns, nor has a beneficial interest in, the securities discussed in this article, but confesses to having sold 2000 L & M Oil around the $3 level, before the shares were listed. That was a long time ago.

Analysing Annual Accounts: Hallenstein Bros Ltd

HALLENSTEIN Bros confirms the downturn in clothing sales which were outlined in official statistics for the June quarter.

In the company's annual report, chairman E M Friedlander said "it is most noticeable that trading was far more difficult during the six months since we last reported and although the increase in sales during the early winter period was reasonable, increases during May and June were very difficult to obtain".

The comment probably explains why the company's stock jumped from $7,066,789 (46.4 per cent of total assets) to $8,342,809 (45.3 per cent). While the percentage to total assets fell, both the dollar increase and the proportion were high, although close to the inflation rate.

There is no other information in the accounts, or in the chairman's statement, to explain what happened, but there may be a comment at the annual meeting.

Hallensteins produces a brief annual report, with few explanations, but the Dunedin-based manufacturer and retailer provides a comprehensive statement at the annual meeting (to be held this year on September 26 in Dunedin). That information will be welcome, because it is difficult to examine the year from the report, particularly in the area of production expenses and which sections were hit hardest.

Opinions differ as to whether the annual report or the annual meeting is the appropriate place to itemise the events and problems of the year.

Since the annual report is the *formal* report to shareholders, and comments at a meeting are incidental, the former is the appropriate place, in my view. But that has been Hallensteins' way for a long time and is probably unlikely to change, unless the company gets the message.

Sales went from $26 million to $29.8 million in a tough year for the clothing industry. Hallensteins' 14.4 per cent sales increase is below the movement in the CPI, but ahead of the retail clothing sector's lift in dollar sales over the 12 months to June 1980.

Group profit went up 11.9 per cent to $1,573,757, hardly a result to raise cheers in the boardroom, but not bad given the state of the industry.

A 62 per cent jump in interest charges was a drag on profitability. The principal reason was a substantial rise (from $63,836 to $148,817) in "interest on deposits and bank advances". The bank overdraft was $670,000 at balance date, compared with $236,478 in 1979.

The rise in bank finance probably relates to the stock increase (although the company had to finance another $413,000 in debtors, comparing each balance date figure; the average for the year may be lower).

Group cash flow was $1,919,875, as against $1,739,764 in 1979, giving a return of 10.42 per cent on total assets (1979 – 11.44 per cent).

The return was down on the previous year, but the company adopts realistic asset values, had an injection of capital from a one-for-five cash issue – which is incorporated in the accounts, although allotted on July 4 1980 – and had to carry that increased stock.

The cash flow/total assets relationship is sufficient to fund the organisation without any major liquidity problem, but it is not a spectacular performance. That is understandable in light of the industry's difficulties.

(The Post Office, discussed here last week, returned 12.05 per cent in 1980 and 10.35 in the previous year, but people who pay their phone bills regularly can postpone replenishing their wardrobes, presuming they shop at Hallensteins.)

The company's regular revaluations of land and buildings added another $250,000 to the asset revaluation reserve, and, when added to a rise in share premium account and retained earnings, lifted shareholders' funds to $14,556,478, compared with $11,845,482 in 1979.

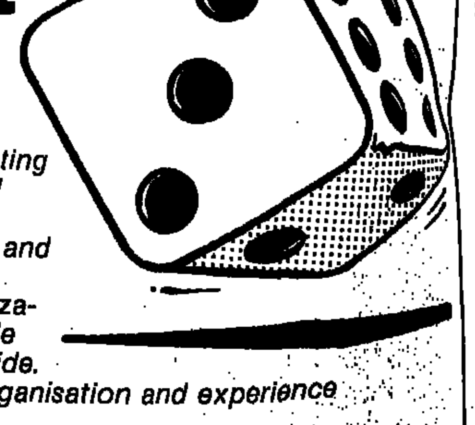
The return on shareholders' funds dropped from 11.87 to 10.81, while asset backing on the $1 shares moved to 3.82, just 2c down on the previous year.

Shareholders' funds are now 79 per cent of total assets. That is an "improvement" or "deterioration" on the 1979 figure of 77.9 per cent, depending on your view of financial strength.

Hallenstein Bros. has rested in relative peace since the early 1960s when a brash lad from Wellington, Ron Brierley, sent an indignant shock-wave through the Dunedin establishment. But a share price last week of $2.35, and asset backing of $3.82, including a large parcel of real estate, is an unsatisfactory combination of figures for any board of directors.

On the other hand, Hallensteins has survived several recessions. The company caters for the middle range of men's and boyswear, and therefore has a buffer in tough times when people desert the top bracket (or make things last longer), and "shop down".

In good times, the group shares in the general rise in activity. A strong balance sheet, and reasonable trading performance in relation to other companies over the years, shows the benefit of sticking to what you know, without wandering off into esoteric branches of the industry.



O'Brien on business

Dear old dad acts as mortgage market backstop

DEAR old dad and Aunty Ethel are a major backstop in the mortgage market, according to the Department of Statistics' mortgage survey for the year to March 1980).

The proportion of the total number of mortgages, and proportion of total value, attributed to different classes of lender are shown in the table, which *NBR* has adapted from the department's survey. We include the 1979 figures for comparison.

The department's statistics relate to all mortgages; residential, commercial and farm. There were 164,946 mortgages worth $2467 million registered last year, compared with 169,349 worth $2164 million in 1978-79.

The "Households" group is the second largest provider of mortgages, both in number and the amount financed.

Last financial year households handed over an average $20,251 per mortgage, compared with the central government's $34,838.

The Government is a large supplier of farm mortgage money, through the Rural Banking Corporation, and it is likely that households also had a fair share of farm finance.

The table shows that Uncle Rob increased his share of total mortgages by number and value when compared to the previous year, while dear old dad and Aunty Ethel eased back a little.

Our table omits small figures for local government and "private non-profit organisations", a category which probably includes friendly societies and so on.

The category "other" is unidentified in the department's analysis, but private mortgage brokers, and syndicates formed through brokers, seem to be included in that group.

The decline in trading bank mortgages (including their savings bank subsidiaries) follows rapid expansion of their activity in recent years, and is probably more a stabilising move, rather than a long term trend.

Given the rise in interest rates between 1978-79 and 1979-80, and the fact that savings banks can only lend what they receive in deposits (the trading bank parent operates on a different ratio principle), the downward movement is not particularly surprising.

The section of the statistics dealing with the range of interest rates on the mortgages is always surprising. The range went from 1.0-2.5 per cent, through to 22.0-27.5 per cent.

Who were the lucky people who received 92 mortgages worth $3,849,000 (average of $41,836 a mortgage) last year with an interest rate between 1 and 2.5 per cent?

In 1978-79 there were 73 mortgages in that category worth $2,263,000 (average of $31,000). The figures are big cheap, bikkies.

"Producer Enterprises", building societies, households and "others" financed most of those mortgages, although the Government weighed in with eight worth $113,000.

At the other end of the interest rate scale, 2115 mortgages were prepared to take money with interest rates between 22 and 27.5 per cent, and 197 came within "all other specified rates", although it is unclear whether they were paying above 27.5 per cent, or at loan rates expressed to three decimal points.

The breakdown of interest rates by class of lender shows that 112 mortgages were financed at a rate of 22 per cent.

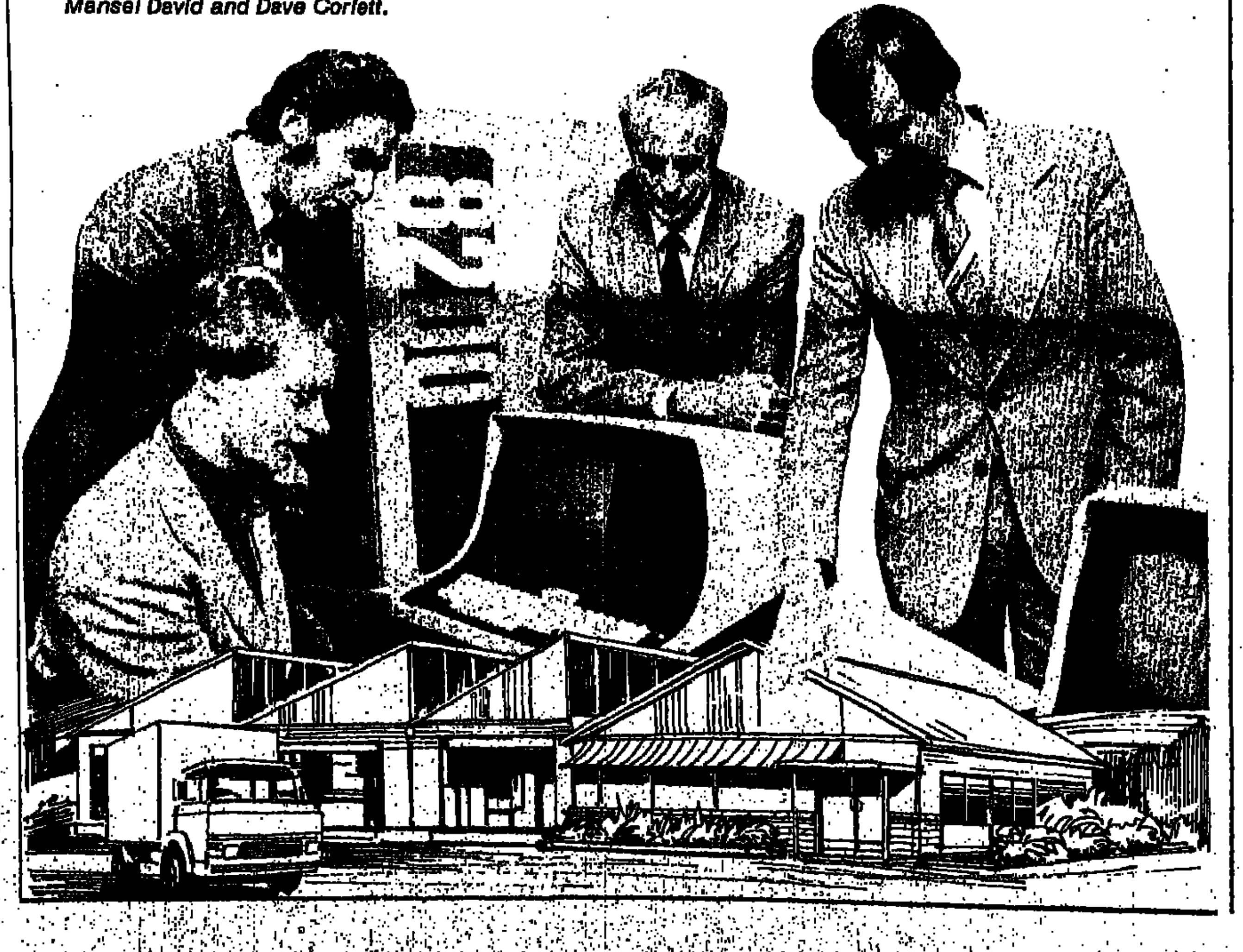
The "all others" category accounted for 101 of the total for an average of $20,000 each. That is an average interest bill of $4400 a year before getting around to the principal.

Even four "households" fell into the 22 per cent interest rate but only financed an average $8000. Those dads and aunts must take a dim view of their relatives' aspirations.

HM Government was content to bow out at an interest rate of 20 per cent for one mortgage worth $15,000. Wonder who was the recipient of such State munificence? In 1978-79 the Government reached its limit at 18 per cent on a mortgage worth $5000.

The bulk of interest rates in the range 8 per cent to 12 per cent, which is in line with lending policies of most official and private lending organisations, depending on the type of property mortgaged, and the means of the borrower, the latter being related in particular to State programmes.

Class of Lender	1978-79		1979-80	
	per cent of number	per cent of value	per cent of number	per cent of value
Producer Enterprises	4.3	5.5	3.5	5.3
Solic nominee coys	10.9	12.9	11.8	13.4
Central govt	19.8	25.5	22.3	27.5
Trading banks (inc related savings banks)	25.6	3.1	22.1	2.4
Trustee savings banks	8.7	11.1	7.8	8.9
Building societies	5.3	5.7	5.8	5.9
Insurance and Pension funds	3.9	7.7	4.5	7.9
Households	14.5	20.0	14.4	19.5
"Other"	5.6	7.5	6.2	8.1



Stock Exchange weekly review

FOR WEEK FRIDAY SEPTEMBER 12 TO THURSDAY SEPTEMBER 18

	Last sale	Week's high	Week's low	Turnover
[illegible],50C	120	120	120	1000
7.5% PF	...	...	...	0
6% PF	...	...	...	0
AJAX G.K.N.	290	290	290	600
A.J.WHITE				
11.5% CONV PR	105	105	105	142200
ALCAN,50C	169	168	168	3400
A.H.I.	232	232	227	20200
ALLIANCE,50C	50	52	40	27000
12% CONV PR	48	48	48	100
ALLFLEX	115	115	107	20300
ALLIED FARMERS	295	295	280	3800
12% CONV PR	290	290	290	100
ALLOY STEEL	202	...	...	0
A.H.BEISLEY,50C	186	186	186	900
AMPOL PET.,50C	210	215	210	2200
A.BEAVEN	114	115	112	53700
11% CONV NTS	100	100	100	900
11.5% CONV PR	95	95	95	500
ANDAS GROUP	105	105	105	16300
5-6.5% PR	43	...	...	0
12% CONV PR	92	92	92	6000
ANZ BANKING GROUP	230	230	226	20000
A.WRIGHT	350	350	350	500
"A" 6-7.5% PR	...	...	...	0
"B" 5-6% PR	60	...	...	0
A.BARNETT	190	195	190	900
A.ELLIS	28	30	28	12100
ARTHUR YATES	350	350	350	9300
12% CONV PR	140	140	140	200
ASHBY BERGH	245	...	...	0
A.B.CABLES	215	215	215	900
ATLAS, 50C	28	30	28	15500
10% CONV PR	30	30	30	700
AUCK.GAS	480	480	480	17300
AURORA,50C	165	165	165	2200
10% CONV PR	235	235	235	400
14% CONV NTS	125	125	125	600
CONV NTS '84	102	...	...	0
A.C.I.	198	...	...	0
AUTOCRAT HOLDS	175	175	175	500
BAILLIE,50C	65	65	62	2200
BALLINS,50C	72	72	65	13800
11% CONV PR	60	60	60	28800
BANK NSW	405	405	405	300
BACH PETS.,50C	195	...	...	0
BING HARRIS, 50C	78	80	77	3100
B.N.Z. FINANCE	272	275	270	3500
[illegible],50C	55	55	55	100
BRIERLEY, 50C	367	368	362	70400
12.5% SPEC PR	...	...	...	0
[illegible], 50C	50	50	50	2100
B.H.P., $2	2120	2125	2020	6874
[illegible], 50C	70	...	...	0
BUNTING,50C	92	92	88	11300
[illegible] CAT.,50C	160	...	...	0
[illegible]	200	200	190	7100
[illegible] PR	...	...	...	[illegible]
[illegible] PR	...	...	...	0
12% CONV PR	170	170	170	1200
C.F.C.A.	210	215	210	7900
11% CONV PR	170	...	...	0
C.F.L.	212	212	210	1533900
12% CONV PR	147	147	147	300
CANT.FLOUR	220	...	...	0
CANT.TIMBER	310	310	300	10200
12% CONV DEB	298	288	285	3900
CAPITAL RADIO, 25C	147	147	147	700
CAPITAL LIFE,50C	70	...	...	0
CARBONIC ICE	270	...	...	0
CARTER HOLT	325	329	325	12600
CEMANCO	194	195	194	33900
12% CONV PR	102	...	...	0
CHALLENGE	300	300	297	56600
12% CON PREF	300	300	295	17500
CHENERY	145	...	...	0
CH'CH.GAS	210	...	...	0
CH'CH PRESS	275	...	...	0
CITY REALTIES,10C	37	37	36	13800
CLYDE GROUP	100	100	100	1400
12% CONV PR	90	90	90	2000
COLLINGWOOD,50C	38	38	38	600
12% CONV PR	34	...	...	0
COL.MOTOR	180	...	...	0
CON NTS 10%	135	...	...	0
COLYER WATSON	130	130	110	69200
COMALCO,50C	680	680	680	200
COMPAND	135	135	135	6300
COM.BANK AUST	320	...	...	0
CON.METAL,50C	152	152	150	4500
CON.SILVER,40C	14	16	13	140600
COOKS WINE	172	172	170	5300
CORY-WRIGHT	112	112	110	4300
12% CONV PR	90	...	...	0
CROWN CONSOLIDATED	205	210	205	12600
11% CONV PR	182	182	182	5000
C.S.R.	970	970	960	1300
CYCLONE,50C	240	...	...	0
DALGETY(N.Z)	233	233	228	21200
DALHOFF & KING,50C	65	65	62	15600
DEANES	140	140	138	700
D.I.C.	155	155	152	14400
12% CONV PR	123	123	112	600
DINGWALL & FAULKNER	185	...	...	0
D.MCL WALLACE,50C	104	105	104	6100
12% CONV NTS '79	...	...	...	0
11% NTS '82	100	100	100	3000
14% CONV NTS	75	75	75	800
D.I.N.A.	69	...	...	0
DOM.BREW.,50C	74	75	74	76000
11% CONV PR	50	50	47	3400
[illegible]	255	260	255	4000
12% CONV PR	330	...	...	0
[illegible],50C	98	88	88	7000
DUNLOP (NZ)	365	365	365	500
6.5% PR	45	45	45	3400
[illegible]	120	120	120	300
[illegible],50C	129	129	129	300
[illegible]	200	200	200	[illegible]
[illegible] MINES,10C	425	425	425	100
EVEREADY	140	142	140	7100
EVANS	160	160	160	600
[illegible] STEEL NZ	95	95	95	400
F.T.C.,50C	105	105	104	9400
11% CONV PR	80	80	80	5300
[illegible],50C	66	...	...	0
FELTEX,50C	127	128	126	64100
5% PR	40	...	...	0
FIBRETONE NZ	115	115	115	1100
FISHER & PAYKEL	194	195	193	44300
FLETCHER	369	369	365	71500
12% CONV PR	102	102	102	4700
FOUNTAIN CORP	125	125	125	2400
[illegible], 50C	155	155	153	30900
11% CONV PR	97	...	...	0
[illegible]	72	72	75	11000
11.5% CONV PR	65	65	65	300
GEN.FINANCE	200	...	...	0
[illegible]	135	...	...	0
G.J.COLES,50C	277	...	...	0
[illegible],50C	48	51	46	47500
[illegible] GROUP	260	260	260	6700
14% CONV PR	195	195	195	2700

	Last sale	Week's high	Week's low	Turnover
GROSVENOR PROPS, 25C	50	50	50	500
HALLENSTEIN	220	230	220	46900
HAURAKI ENTERPRISES,25C	155	...	...	0
HAWKINS,50C	52	52	50	10500
6.5% PR	...	...	...	0
H.B. FARMERS	220	220	219	1600
17% CONV PR	150	150	150	1100
HAYWRIGHTS & PREF	65	...	...	0
HEALING	280	280	270	10500
10% DEB	...	...	...	0
12% CONV PR	245	245	245	500
H.POLLARD	280	280	275	154500
10% CONV PR	220	...	...	0
HENRY BERRY,50C	153	160	153	5300
10% DEBS	235	...	...	0
HOOKER,50C	73	...	...	0
HUME INDUSTRIES	118	...	...	0
5-7.5% PT PR	45	45	45	300
10% CONV DEBS	117	...	...	0
I.C.I.(AUST)	155	...	...	0
I.C.I.(NZ)	188	190	188	52300
IND BROADCASTING	135	140	135	300
INDEPENDENT NEWS	163	165	163	2700
IND.CHEM,50C	175	...	...	0
INTER-TASMAN NZ,50C	...	...	...	0
I.W.FOX,50C	246	248	245	5600
JAMES AVIATION	325	...	...	0
JAMES SMITH 50C	85	85	85	2000
14% CONV PR	60	...	...	0
J.E. WATSON	260	...	...	0
12% CONV PR	220	...	...	0
J.BURNS	187	193	187	1900
12% CONV PR	165	...	...	0
JOHN EDMOND	180	180	180	1000
J.WEBSTER 50C	47	47	45	600
12% CONV PR	40	...	...	0
J.MERCER INDS., 20C	70	...	...	0
5.75-6.25% PR	...	...	...	0
J.NATHAN	140	...	...	0
6.5% PR	125	...	...	0
11% CONV DEBS	140	...	...	0
J.RATTRAY	145	...	...	0
12.5% CONV PR	132	...	...	0
KEARNS-OATES, 20C	210	...	...	0
[illegible],50C	119	119	119	13300
12% CONV PR	92	92	92	300
LANES,50C	40	40	35	500
L.D.NATHAN	177	178	177	51300
9.5% CONV DEBS	177	...	...	0
LEYLAND,50C	110	110	110	300
LION, 50C	95	98	95	111700
10% CONV PR	85	88	87	[illegible]
12% CONV PR	76	76	76	4600
[illegible],50C	39	40	37	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible],50C	[illegible]	[illegible]	[illegible]	[illegible]
[illegible],50C	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible],50C	110	110	110	1000
MANTHEL	150	...	...	0
MARAC	275	275	275	2400
MCALPINE,50C	65	70	65	21705R
MCKECHNIE	188	188	185	1400
MIDLAND	170	170	165	7000
11% CONV PR	135	135	135	600
MIN.RESOURCES,20C	115	115	97	172900
M.O'BRIEN,50C	75	...	...	0
12% CONV PR	62	...	...	0
MONTANA,50C	165	165	163	16600
M-P.I.M.	170	170	170	200
11% CONV NTS	140	...	...	0
MOSGIEL	3	...	...	0
12% CONV PR	3	...	...	0
MOTOR HOLDS.,50C	130	130	128	25500
12.5% PR	...	...	...	0
MOTOR TRAD.,50C	58	60	58	1000
5-6% PR	46	...	...	0
11.5% CONV PR	55	...	...	0
MSI CORPN,50C	102	105	102	20500
12% CONV PR	110	110	108	1700
MT.COOK	175	175	175	4000
M.I.M.HOLDS.,50C	680	...	...	0
NAT.INSCE, 50C	205	212	205	8900
NATIONAL TRADING	...	...	...	0

	Last sale	Week's high	Week's low	Turnover
SANFORD	300	...	...	0
PF	135	...	...	0
12% CONV PF	230	...	...	0
12% "B" CONV PR	230	...	...	0
SCHOFIELD	140	140	140	500
SCOTT,50C	70	70	70	500
12.5% CONV PR	47	...	...	0
SELBY	215	215	215	100
SKELLERUP,50C	300	300	300	20800
5-7.5% PR	35	...	...	0
SMITH BIOLAB,50C	168	170	168	5900
12% CONV PR	137	...	...	0
SMITHS C.M.	122	125	122	14600
STH. BRITISH	282	285	282	17500
STHN. CROSS HOTEL	140	140	125	2500
STHN CROSS AIRS.,20C	41	42	38	254750
S.F.M.	212	212	210	13600
SPEDDING, 50C	51	52	51	2500
12% CONV PR	70	...	...	0
STEEL & TUBE, 50C	107	107	104	27578
SUCKLING	160	160	160	600
TASMAN, 50C	332	333	300	80900
RED PR	...	...	...	0
PART PR	...	...	...	0
TAYLORS	120	120	120	1000
12% CONV PR	115	115	115	300
TELTHERM	165	165	165	2600
12% CONV PR	125	...	...	0
T J EDMONDS	300	300	300	7300
TOLLEY	105	107	105	9900
TOUR FIJI	55	...	...	0
TRANS ASHBURTON, 50C	47	47	47	700
TNL GROUP, 50C	83	84	83	136100
10% CONV PR	64	65	64	7300
12% CONV PR	65	66	65	5300
TRANS CNTH. CONT.)	95	95	95	600
13.5% CONV PF	74	...	...	0
15% CONV PR	95	...	...	0
TRANSVISION	210	210	210	4300
U.D.C.	147	...	...	0
U.E.C.,50C	105	105	104	[illegible]
6.5-7.5% PR	115	...	...	0
12% CONV PR	92	93	92	1500
15% CONV PR	65	...	...	0
UNITED STEAMSHIP	75	...	...	[illegible]
5.5% PR	[illegible]	[illegible]	[illegible]	[illegible]
UNITED ENG	105	...	...	[illegible]
UNITED [illegible],50C	[illegible]	[illegible]	[illegible]	[illegible]
VACATION,[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12% CONV PR	[illegible]	[illegible]	[illegible]	[illegible]
12.5% CONV PR	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
11.5% CONV PR	[illegible]	[illegible]	[illegible]	[illegible]
12% DEBS	[illegible]	...	...	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	...	...	...	[illegible]
5.75-7.5% PF	50	50	50	700
W.JEFFERY	130	130	130	1200
12% CONV PR	105	105	105	500
WILSON & HORTON	350	355	350	11800
WILSON DISTILLERS	90	90	90	9300
WILSON NEILL	130	133	130	4700
12% CONV PR	165	165	165	100
WINSTONE,50C	72	73	72	44600
12% CONV PR	53	53	53	1400
WRIGHTS (NZ) PROPS, [illegible]	182	...	...	0
5.75% PR	72	...	...	0
WRIGHTS AUST, 50C	230	230	230	600
WORMALD	270	270	270	600
5-7.5% PR	100	...	...	0
W.R.CARPENTER,50C	254	...	...	0
W.SUTHERLAND	130	130	130	800

Feltex purchase gets Adams-Schneider off hook

TRADE and Industry Minister Lance Adams-Schneider is off the hook and the carpet industry is delighted that Feltex New Zealand Ltd came to the rescue and bought out 50 per cent of the shares in Stevens-Bremner New Zealand Ltd.

Adams-Schneider approved the sole import licence for Stevens-Bremner's Millitron carpet jet-dying machine and a $3 million DFC loan to finance it, contrary to all advice from the carpet industry.

The Millitron has been a white elephant. Stevens-Bremner lost about $1.5 million in 1978, about $1 million in 1979, and about $1.5 million this year – which adds up to a large tax loss for Feltex.

It is understood these losses made it difficult to obtain credit necessary to continue operating on the scale necessary to make the Millitron pay.

Since July the DFC, as major debenture-holder, has been trying to get UEB Industries and Cavalier Carpets to bail out Stevens-Bremner. At the same time Stevens-Bremner was asking the DFC for more money.

Feltex bought the 50 per cent New Zealand shareholding in Stevens-Bremner from W D Bremner Ltd. The remaining 50 per cent is held by J P Stevens of New York.

Feltex managing-director Harold Titter said that by mutual agreement the price paid for the shares would not be disclosed. They would not be revealed in Stevens-Brenner's or, probably, Feltex's accounts.

Last year's accounts for Stevens-Bremner show fixed assets with a book value of $8,681,547. The land and buildings, at a conservative estimate, would be worth some $1 million less than the figure shown in the accounts. The Millitron, even sold as a going concern, would probably be discounted by any buyer holding a command position.

Stevens-Bremner managing-director John Roy reportedly cut $900,000 from the company's overheads before the Feltex takeover.

Titter said the Millitron would remain in Foxton, not an ideal location, but one with some advantages for Feltex.

Feltex has a wool scour at Kakariki, 50 miles from Foxton, and Stevens-Bremner has some wool-spinning capacity. Cavalier Carpets' Castlecliff Spinners, located in Wanganui, might supply yarn and cut freight costs.

Feltex has a stake in Alliance, which could also supply carpet yarn.

Titter said he projected a breakeven point for the Millitron in December.

The carpet industry is troubled with over-capacity in a falling domestic market. UEB, Feltex, and Stevens-Bremner each have a jet-dying machine capable of dying all the country's carpet.

A Feltex rival welcomed the takeover as "the first move to rationalise an industry that is overcapitalised".

Titter said he hoped to make the Millitron pay, not by producing for the domestic market, but by increasing exports. Feltex's carpet exports were up 63 per cent this year.

Feltex is confident that the Millitron and its own Titon are the world's best jet-dying machines.

Carpet International of the United Kingdom, a past Feltex associate company, bought a Cromitronich jet-dying machine and lost $5 million for the first half of the year, Titter said.

This is the second carpet company sold by Ste Bremner's Doug Bremne 1967 he sold Bremworth C pets to UEB.

Titter said the combin Stevens-Bremner with Fe would give him more th per cent market share.

Ironically, Feltex wa most bitter opponent of Millitron when the Gov ment handed it to Stev Bremner in 1976.

Continued from Page 1

rumour," Downey said when asked.

So he hadn't resigned?

"Well, I didn't say I had or I hadn't. You said you'd picked up a rumour and I've just said it's a rumour.

"I've heard things along those lines, yes. But not that he has tendered his resignation."

Is that a suggestion that Downey has been asked to resign? "I'm not sure if that's what I'm suggesting."

McLay is less cryptic.

"Mr Downey has not submitted his resignation to me, no."

McLay said he had been having "some discussions with Mr Downey over the last month or two over matters relating to the administration of the commission. These have been discussed with other member the commission."

"These matters are at pre unresolved," he said. "I c discuss the detail of any p ble changes."

McLay said he ha "another talk" with the c missioner in the last 10 d "nothing's been resolved".

Has McLay asked D to tender his resignati won't say.

"He hasn't tendered signation. I don't think take it beyond that."

McLay said he w peculate, or comment matters he and the c sioner are discussing.

"He and I have d various administrative which I understand raised, or will raise w commission."

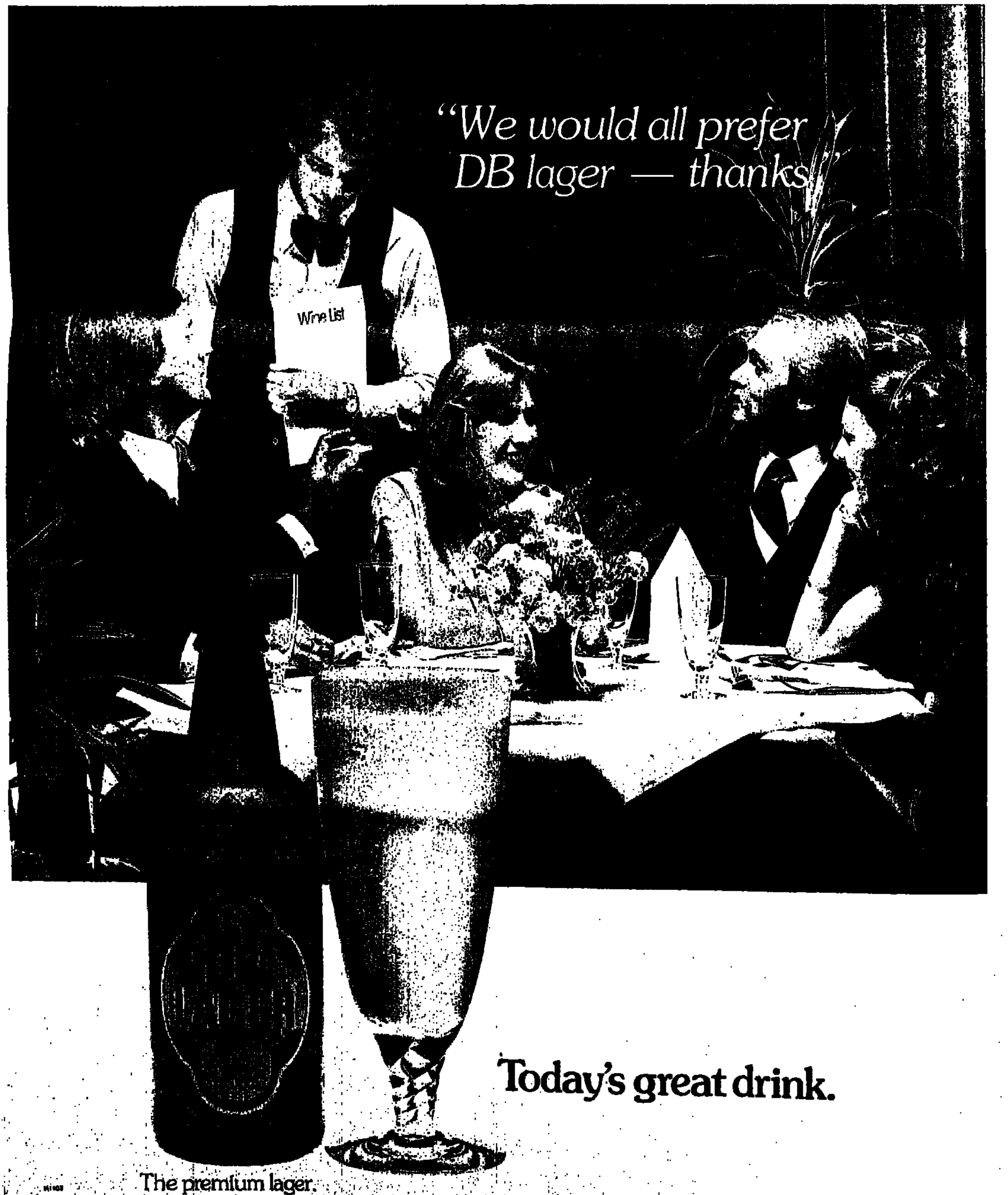
Downey confirmed had been talking with but no more.

"The Minister and I been having discussio the lines that he indi you. I can't add anyth what he said."

For the momen "administrative matte "possible changes" a off-limits to the public

So, too, does any de dication whether the c sioner stays, or goes or sidewards or upwards.

But, reading betwee guarded lines, it would se Executive and executive seeing eye to eye.



Correction

LAST week we reported the Birkenhead City Co had been prohibited by a Court injunction from e ing its by-laws.

A motion put by the co works committee that A Homes be instructed to r warped weatherboards w 90 days was moved by Cr Thomas, not Cr M A Taylo we mistakenly reported.

Cr Taylor had moved previous motion that the works committee recommend council that council require builder (Award Homes) complete the building standard that complete the by-laws.

The 90-day motion wa subject of the injunction the latter.

Handicaps retard fledgling film industry's growth

by Ann Taylor

WHEN Hollywood was still an undiscovered Californian village, the embryonic New Zealand film industry was commissioned by then Prime Minister Dick Seddon to cover the visit of the Duke and Duchess of Cornwall.

The rapid growth of visual media has since rallied finance, talent and popularity all over the world.

With an antipodean Hollywood nascent across the Tasman, the time is ripe for independent New Zealand film-makers to be encouraged to take heart from their burgening successes and increase production.

But the inadequacies of the National Film Unit, the Government's film-maker and the country's major processing laboratory, the 40 per cent sales tax on film applied in the last Budget and restrictions on overseas talent and investment are handicapping the growth of the industry – without any talk of restructuring.

The National Film Unit's $10 million facility, rated among the most advanced and comprehensive units in the world, is losing work to Australian laboratories.

Independent film-makers, who use the unit's resources and personnel, say the service is unreliable and incompetent.

They say the public service mentality is not conducive to film-making; that the unit's facilities are not used to their full capacity; that end results are affected by a lack of co-ordination and administrative expertise; and that the staff will not even attempt to try new or tricky ways to achieve effects.

Tales of woe include Tony Williams' (recent winner of a Clio award) virtual loss of four rolls of Pinky Bar ad film. After lengthy and expensive pre-production and one intense day's shooting four rolls of film were sent to NFU. The film was put in the wrong colour bath, the emulsion stripped off and the negatives sratched. What quality was left has been resurrected at an Australian laboratory – and NFU has met the cost.

But flak fired at NFU is "just part of the game", says Geoff Steven of Phase Three Films, a two-man Auckland company which co-produced the features *Skin-Deep* and the two-part Rewi Alley documentary with NFU.

Steven and partner Joh Maynard wanted to use a local lab.

"Basically everything went fine," Steven said. "There were technical difficulties – dirt damage to footage – but that can happen in any lab.

"They were amenable to co-production and tried to correct technical difficulties . . . the people who work there are enthusiastic."

The nine-studio complex staffed by 140 people is the Government's number one film-maker, a situation which its new manager, ex-TV one news director Doug Eckhoff, describes as a "wee bit of a strait jacket".

In office since August 25, Eckhoff fields the accusations of incompetence: "Every independent maker, television and NFU can tell stories of bits of film being stuffed up."

He says the unit is keen to help the independents. "Unless we're all in there together, we'll all sink."

NFU recently became a trading division of the Tourist and Publicity Department and in May last year a policy directive tried to place the unit within the context of film-making as an industry.

The policy defined the unit's basic role as the Government's film-producing agency and said it should provide processing, technical, production and hireage facilities to the independents.

Eckhoff would like to see the role broadened: "To reflect New Zealand through film and to develop the expertise in film-making and pass that on to the independents.

"We may have to import some expertise," he said, acknowledging that "we're doing the work but not to the standard we would like to.

"We have to think in a more commercial way and call a spade a spade . . . the independents get a little paranoic about the unit being government-sponsored."

Eckhoff says few of the independents have specific gripes, but tend to adopt the attitude "let's send it to Australia because we're less likely to have trouble".

Eckhoff's objectives:

- To have a reliable laboratory, with an established reputation that provides the sort of service all labs should;
- To stop the flow of work to Australia – to go there and bring work back here;
- To have a satisfied staff in the creative sense, who feel they are doing something positive;
- To encourage, nurture and co-operate with the nascent film industry and get alongside the independents in a learning, productive environment;
- To pull together all the different departments so they work together;
- To allow flexibility in co-productions.

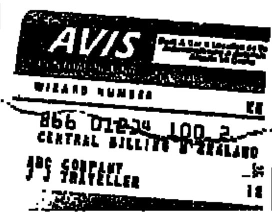
Within those parameters, Eckhoff acknowledges that it will be necessary to make some sort of changes.

"I'm an efficient sort of person and feel more comfortable working for an efficient organisation," he said.

Perhaps Dick Seddon's push to the industry might at last provide us up with our own antipodeon Hollywood.


A car on hand wherever you land.


Full-maintenance leasing - an Avis exclusive.

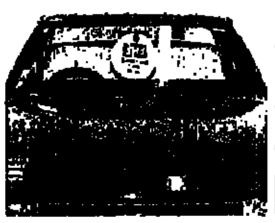


Exclusive computer-linked Wizard card. Valid throughout NZ, Australia, USA and Europe


Comprehensive convention transport service and special 10% group discounts

NZ's largest range of commercial vehicles.


Avis campervans - the most modern vehicle of their type available in New Zealand.


Avis young used cars - the next best thing to a new car.


The Avis people mover - the easy, economical way to move your group around in spacious comfort.

Admark

Farmers make friends

by Grev Wiggs

WHEN the mere announcement of a forthcoming public relations campaign triggers off editorials in at least three metropolitan newspapers, it is obvious that the subject of the campaign is considered of some importance.

It is by the farming community. Federated Farmers, together with the four producer boards representing meat, dairy products, wool and apple and pears, have got together in a jointly funded campaign to promote awareness and understanding of farming's role in the economy.

The assignment is being handled by the fledgling public relations firm of Consultus which is carving a special place for itself in agribusiness.

Dazzled by some shining successes achieved in the export of manufactured goods, it is easy enough to overlook the fact that the mainstay of our economy in the past and for a long time to come will be agriculture.

So the farming community needs to convince the public of the great further potential for growth in production, how this will assist foreign exchange earnings and the benefit that accrues to us all.

By creating a climate of urban public opinion that sees farming's role in the correct perspective, what farmers consider to be the right legislative and financial decisions about the uses of our resources become politically possible.

"It's pretty well a text-book operation," Consultus principal Robin Clulee told *Admark*, "in that we provide factual information on which people will adopt attitudes and form opinions. But how you do it is important."

The programme is being given a name and identity. It is "AGROW New Zealand" and is accompanied by a logo which will be used in a variety of applications together with the slogan "Funding the nation's future".

A broad spectrum approach is being planned to print media, radio and television, the object being to reach every sector of the public.

It is hoped to monitor the progress of the campaign by polling public opinion in a series of Heylen omnibus polls and thus produce an index of farming confidence.

The programme will be broken down into five regional media events and one national event.

A regional approach will permit participation of regional interest groups, generate interest through the presentation of regional figures and achievements and spark locally generated activities.

Speakers kits will be produced so that throughout the six months programme there will be cohesion and uniformity in the messages delivered at speaking engagements.

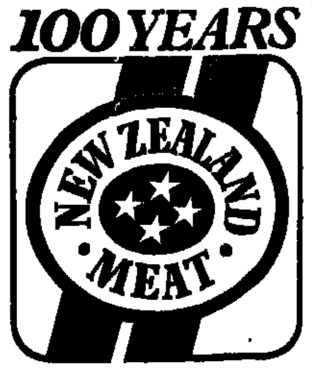
The publication of a small book presenting the full farming story is also part of the plan.

In terms of what is being attempted and the short duration of the campaign, it appears to be a low budget operation — low, that is, in comparison with the multi-million business it is presenting.

The potential for growth in agriculture is so enormous, the need for encouragement of the farming industry so great, it would seem that the time was right to make a strong and continuing investment in the promotion of our farming future.

Design for centenary

PETER Chan, an art director with SSC&B: Lintas Worldwide, Wellington, won the



$2500 prize awarded by the New Zealand Meat Producers Board for a centenary symbol.

Chan came here from Malaysia five years ago and is a graduate of the Wellington Polytechnic school of design.

In 1982 this country celebrates the hundredth anniversary of the first shipment of refrigerated meat to Great Britain. The symbol — in the colours of the national flag — will be used as a central motif in promotional activity.

The judges commented that the design was a crisp, clear marketable symbol which expressed the quality of the product and identified strongly with New Zealand.

It lends itself to multi-media applications and could continue to be used after the centenary without any change to the basic elements of the design.

New deal for media people

NEW Zealand media buyers are now in sight of the promised land where filing cabinets of rate cards will be replaced completely by just two chunky volumes of carefully collected data.

Coming on stream shortly is the first rate and data system publication for this country in a format similar to those well established systems used in the United Kingdom, Europe and Australia.

Press Research Bureau will be publishing PRRADS — Press Research Rate and Data System — as an on-going and continuously updated publication.

For each listed medium there are 21 separate classifications of information and these are constant throughout. For example, item seven covers circulation [illegible] item 21 deals with acceptable sizes and these reference numbers remain the same for each medium listed.

PRB's Malcolm Willoughby, reported to *Admark* that he had received wholehearted co-operation from all press and electronic media.

Upwards of 700 listings will be contained in two volumes, one containing newspapers and electronic media and the other magazines. Up-datings will be made fortnightly as required.

We asked Inglis Wright's Auckland media director, Geoff Stevens, his opinion of rate and data systems, based on his English experience.

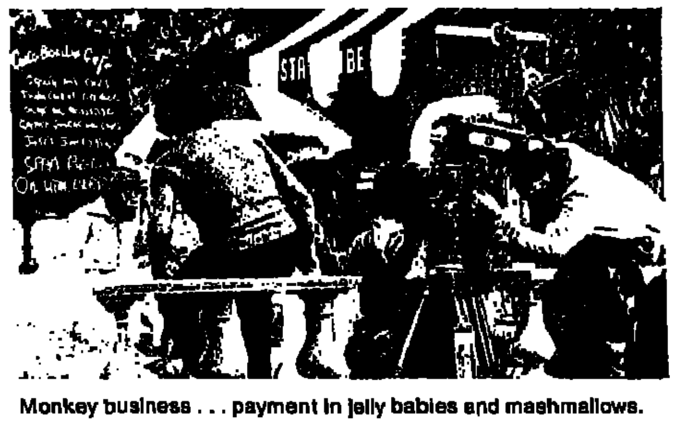
"There was initial scepticism for the system," he said, "but confidence built on the experience of regular and reliable updating. After 18 months, you threw away your ratecard files."

In the field of media reference, PRB set the pace with its popular *Media Planner*, a sort of *vade-mecum* to all New Zealand media. The eighth edition, recently published, again records a number of innovations.

Included for the first time are brief but important facts on both Australian and Pacific (including Singapore) newspapers, a listing of newspapers by publication frequency and a useful reference section of statistical information.

Despite the publisher's admonition that the *Planner* be read thoroughly, it could be found useful to regular users if the new sections were signalled in some significant way.

Money making monkey pros



Monkey business . . . payment in jelly babies and mashmallows.

ONE of the provisions of the award covering actors and actresses is that tea or some other suitable beverage, milk and sugar shall be supplied free of charge by the employer at meal breaks and rest intervals.

We are pleased to see that the same spirit is observed in the case of those simian showmen who feature in the rollicking PG Tips tea bag commercials on television. They're very fond of tea, liberally laced with milk and sugar.

The payment for performance — made in jelly babies and marshmallows — hardly complies with award conditions.

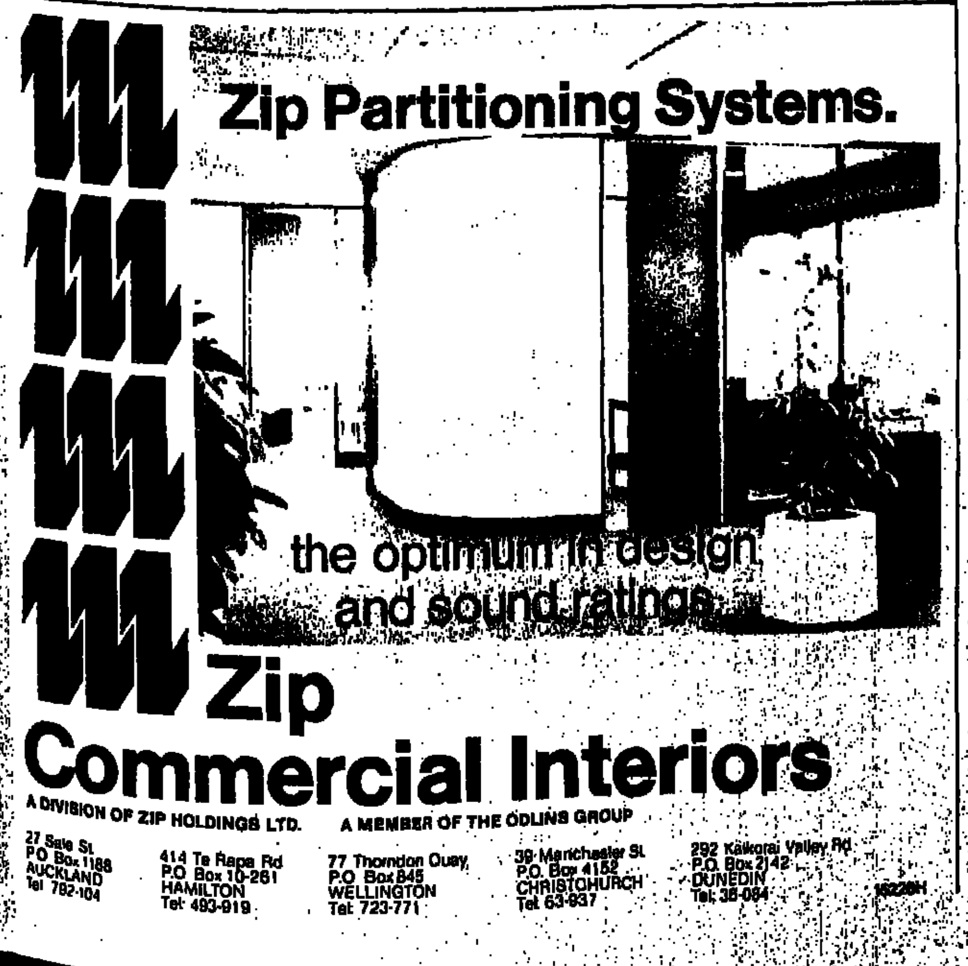
The first television advertisement featuring the engaging chimpanzees from Twycross Zoo appeared as far back as 1956. The series continued over 12 years, to the great benefit of the product.

Then came a decision to drop the chimps. The immediate loss of market shares brought them back to the television screen in a hurry.

The production of the commercials represents the triumph of technical skills over a host of difficulties.

The convincing illusion of the chimps speaking is achieved by shooting at different camera speeds as the chimp simply opens and closes its mouth. Then the lines are broken down syllable by syllable and careful editing does the rest.

The dubbed voices you hear come from actors as famous as Bruce Forsyth and Arthur Lowe.



IF YOU'RE COMING TO AUSTRALIA, BE SURE TO LOOK US UP.

Wherever your business is, there's a Flag Inn close by.

Two or three hours daily travelling in heavy traffic can be tiring and extremely time wasting.

But, with so many businesses situated in the outer suburbs of the main centres of Australia, many incur this problem by booking into city hotels.

There's no need to.

There are over three hundred Flag Inns situated throughout Australia.

So whether your business takes you to the outer suburbs of the main centres or the most out of the way outback towns, there will be a quality comfortable Flag Inn nearby.

Just look us up in the free Flag Directory.

This comprehensive accommmodation guide lists every Flag Inn by state and town.

Every Inn is completely detailed including rates, facilities, a simple to follow location map and even a four colour photograph of the Inn.

You know exactly what you're booking.

No sudden rise in rates.

One very important point, the rates quoted in the directory are fixed.

The rates are held for the period for which the directory applies.

A new directory is issued every four months.

So the rates are accurate and up to date with no nasty surprises for you.

High quality. Reasonable cost.

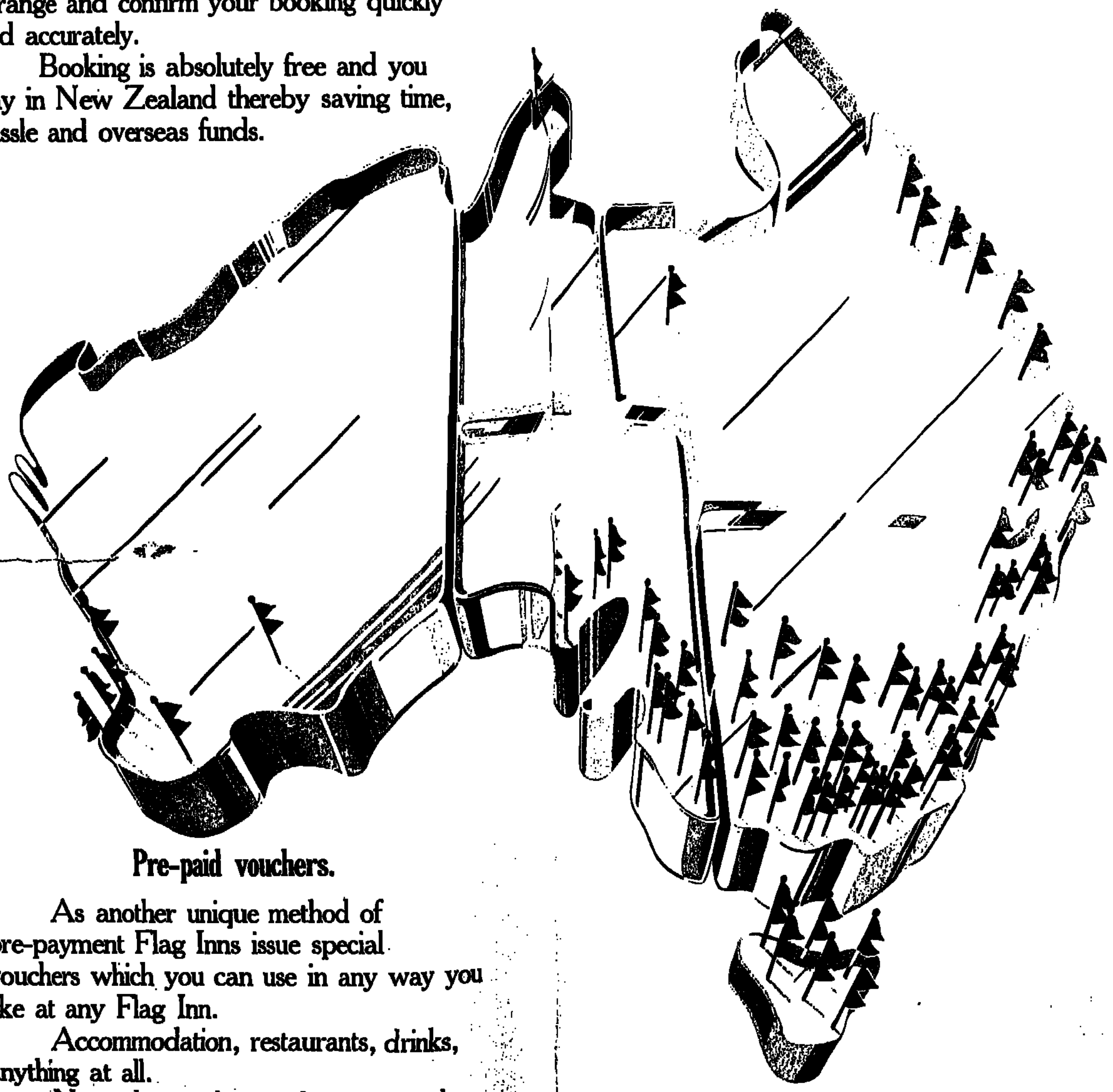
You will find that Flag Inns offer a very high standard of accommodation and facilities at extremely reasonable rates.

Certainly well below that of most city hotels.

Free computerised booking service.

Our computerised booking service can arrange and confirm your booking quickly and accurately.

Booking is absolutely free and you pay in New Zealand thereby saving time, hassle and overseas funds.



Pre-paid vouchers.

As another unique method of pre-payment Flag Inns issue special vouchers which you can use in any way you like at any Flag Inn.

Accommodation, restaurants, drinks, anything at all.

Not only are the vouchers extremely convenient but again they allow you to pay in New Zealand for what you use in Australia.

Free eighth night.

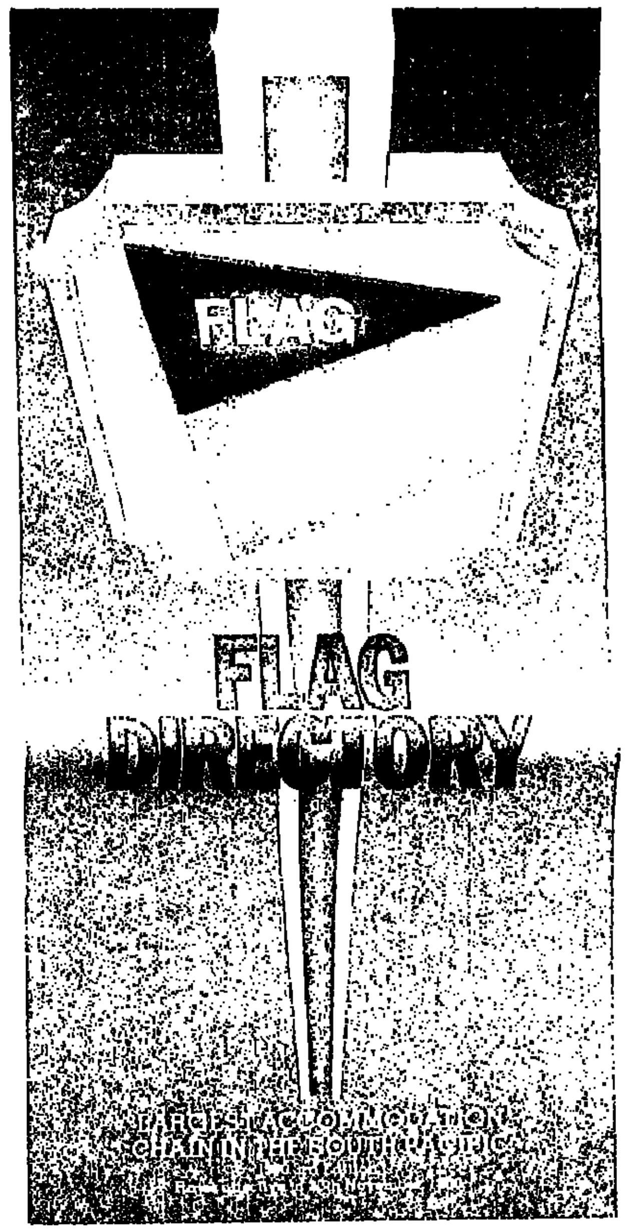
Every couple (twin or double) who stay one night at eight different Flag Inns in eight different cities or towns will receive:

Free standard suite accommodation (room only, breakfast not included) for two at the eighth inn for one night.

This offer applies when the eight qualifying nights are in Australia and/or New Zealand, and are taken within a six month period.

For further information.

Consult your travel agent or Flag Inns direct. Or send for our FREE Flag Directory. We look forward to looking after you.



Please send me a free copy of the 1980 Flag Directory.
P.O. Box 3654, Auckland 1.
NAME ....
ADDRESS ....
....

FLAG INNS

See your travel agent or phone Flag Inns direct.

Auckland 799-444 Telex NZ2602
Wellington 726-964 Telex NZ3261
Christchurch 63-371 Telex NZ 3261
or any Flag Inn throughout New Zealand.

Setting the standards in care, comfort and courtesy.

Thomas case involves important legal questions

by Jack Hodder

ONE name has dominated lay discussion of the New Zealand legal system over the past decade: Arthur Allan Thomas. The trials, the appeals, the books (and now the film), the pardon, the Royal Commission and just recently, a return to the High Court — all have created a continuing controversy unparalleled in our legal history.

For the most part, the Thomas saga has involved controversies of a factual nature (and continues to do so). But the recent motion for review of the Royal Commission's operations in the High Court involved a number of questions of general legal importance.

An 11-day hearing and a 60-page judgment resulted in a partial but significant (if expensive) victory for the applicants: see *New Zealand Police Association Inc and others v Taylor and others* Moller, Holland & Thorp JJ, Auckland High Court, A 778 & 796/80, August 29 1980.

The background to the High Court's judgement consists of the pardon granted Thomas last December and the terms of reference of the Royal Commission (chaired by Mr Justice Taylor) established in April of this year.

The pardon recited that Thomas had been convicted of the Crewe murders in April 1973 and sentenced to life imprisonment, that a report to the Prime Minister made it appear "that there is real doubt whether it can properly be contended that the case against ... Thomas was proved beyond reasonable doubt" and that the Governor-General (acting on the advice of the Minister of Justice), thereby granted Thomas "a free pardon . . . in respect of the said crime".

The Royal Commission's terms of reference covered:

- Whether the Crewe murders investigation was carried out by the Police in a proper manner;
- Whether the arrest and prosecution of Thomas was justified;
- Whether the prosecution had failed to disclose appropriate material to the defence.
- Whether there was anything untoward in relation to the jury lists;
- Whether adequate police investigations were made in respect of new material subsequent to each trial;
- What sum, if any, should be paid as compensation to Thomas.

The proceedings brought by the four applicants (the Police Association, the Police Officers Guild, Bruce Hutton and Murray Jefferies) were complex but boiled down to four complaints:

(1) That the commission was wrong in its rulings on (a) the effect of the pardon, (b) the cartridge Exhibit 350, and (c) the leading of police evidence tending to implicate Thomas;

(2) That the commission had prejudged the issue relating to the propriety of the police conduct;

(3) That the commission had wrongly directed the police not to pursue inquiries which might implicate Thomas;

(4) That the commission had breached its terms of reference by inquiring into the actual conduct of the two trials.

Almost half of the judgments is devoted to the preliminary question of whether the proceedings were properly before the court. It was held that they were and the liberal approach adopted is of major significance for administrative law generally.

In particular, the court found that all four applicants were properly described as "persons aggrieved" and thus had standing to apply to the court and that the scope of judicial review is not limited in respect of purely inquisitorial bodies (as opposed to judicial or quasi-judicial bodies) or bodies established under the Crown's prerogative (as oposed to statutory bodies).

The heart of the judgment involves a discussion of the meaning and effect of a free pardon. This focussed on section 407 of the Crimes Act 1961 which provides that a person granted a free pardon in respect of any offence" shall be deemed never to have committed that offence".

The court considered various ancient English cases relating to pardons and concluded that s 407 was designed to overcome certain residual disabilities left after a pardon (which is issued under the Crown's prerogative of mercy). Thus prior to s 407 the fact of the conviction remained after a pardon even though the consequences of the conviction (incarceration, forfeiture and infamy) were abolished.

Having so concluded, the court restated the effect of a free pardon: it removes the criminality and the infamy (a pardoned man may sue for defamation if he is called a criminal) but does not create a factual fiction that the person pardoned did not do the acts which constituted the crime.

The court found support for this in the negative terms of Thomas' pardon itself and, more importantly, in the fact that the contrary interpretation would deprive any person subsequently charged with the Crewe murders of the opportunity of attempting to show that Thomas had done the deeds.

The court then found that the commission had wrongly applied the factual fiction, — that is, it had ruled that the pardon meant that in law and in fact Thomas did not commit the murders. That justified the issue of two declarations: that the pardon was irrelavant to the scope of the commission's inquiries; and that it would be wrong to exclude otherwise relevant evidence on the basis of either its tendency to implicate Thomas in the killing or its circumstantial or indirect nature.

In finding that errors of law had been made and justified those declarations, the court noted that the commission had "not been assisted" by its in- precise terms of reference, i belief that the police counsel were attempting to re-tr Thomas or by its own counsel, opinion that the inquiry co be departmentalised.

Thus the applicants suceeded on the first and th parts of their first complai But all other complaints we dismissed and, in the end, t court felt it appropriate to mak no order as to costs.

Of the complaints not sutained, the second – allegi bias by pre-determination – was the most serious for it wa on that basis that the applica sought the prohibition of th commission's further inquiri

The court dealt with th matter by adopting the pers of an informed and reason observer of the commissio proceedings. It found that an observer might have h doubts about the chairma use of rhetorical questio criticise police witnesses the wisdom of his exposit on the meaning of the pa on television but would have concluded that there w likelihood of the alleged existing.

In dismissing the sec complaint, the court deal the demand by police co that the commission giv advance notice of allega adverse to the police. It fo such demands misplaced commission was not a cour criminal jurisdiction and entitled to hear evidence freshly from the witness-bo long as opportunity for reb was provided.

The third complaint w found to have insufficient me in view of the fact that th commission had expre conceded that it had no po to direct the police as to th execution of their duties (wh include the investigation unsolved crimes).

The fourth complaint received relatively short co ment. The court conside that the commission had n been pursuing the mode conduct of the tri (specifically excluded by th terms of reference) but ha been concerned with the m of the construction sought placed on particular evide (in particular as to the notori cartridge case).

And so the Royal Commission proceeds onwards, slightl redirected, with perhaps the most difficult question – tha of compensation – yet to come.

How local consumer makes our goods competitive

by Warren Berryman

THE United States has been concerned for some time about incentives and subsidies for exports by other nations.

The official attitude recognises that the question is complex and efforts have been made to reach an international agreement on which types of incentives are valid and which constitute subsidies.

New Zealand and Australia have been asked to sign a Subsidies Code which defines the difference.

The United States Government has ruled that if another government accepts and signs the provisions of the code, then American businessmen must not only prove that an exporter to the United States is using the incentive as a subsidy, but must also prove that such a subsidy is injuring his business. That is the major hurdle.

Delta Plastics is selling its ear tags in the United States at a higher price than its American competitors. Thus it should be extremely difficult to prove injury.

But for countries which are not a signatory to the code, the American businessmen must prove only that the incentive is being used as a subsidy, and countervailing duties will be imposed.

Most countries have export incentives, including the United States. But the form they take is the point at issue.

New Zealand has its own anti-dumping provisions. Generally, if a foreign company is selling goods on our market at prices lower than they sell on their own market, the goods are considered to be dumped. If goods are being dumped, their importation can be stopped.

But New Zealand has a pragmatic attitude to its anti-dumping provisions.

For many years, plastic raw materials were being "dumped" here — they were exported to New Zealand at prices below their current domestic value (cdv). But because the low prices for raw material inputs gave local plastic manufacturers a price edge in world markets, no-one complained until a local branch of a multinational chemical company, Chemby Industries Ltd, wanted to make ABC plastic compound here.

To protect Chemby, the anti-dumping law was put into effect.

If foreign governments interpreted dumping as we do, many of our manufactured exports would be considered dumped goods.

This might be explained partly as marginal pricing. But mostly it can be explained only in terms of export subsidies.

Import licencing and tariff protection more than three times the Gatt average allow our manufacturers to charge local captive consumers up to 16 times the world price for goods and to export goods, subsidised by export "incentives", at prices far less than local consumers must pay for the same products.

In many cases our manufacturers can compete on world markets only because they subsidise exports with huge profits generated by local consumer prices and with export subsidies extracted from those same consumers as taxpayers.

Thus New Zealanders pay 16 times the price for a pair of shower shoes than the Californian pays and five times more for a toaster.

New Zealand beer is cheaper in Los Angeles than in the tavern across the road from Lion Breweries in Wellington.

An Australian manufacturer recently set up shop in Auckland to take advantage of our export subsidies. He found the knife cut both ways. While benefiting from the subsidies, he found the electrical flex he had been importing from Auckland to Melbourne cost three times as much when he bought it from South Auckland to the North Shore.

The Australians, our biggest trading partners in manufactured goods, are far from happy with our export subsidy system. Their concern is one of the major stumbling blocks in talks about closer ties with Australia.

Nafta, seen as an exclusive "white man's club" by our Asean trading partners, is basicly designed to protect high-cost Australasian labour from low-cost Asian labour.

But the Nafta concept breaks down when it comes to whiteware (washers, fridges and so on). For example, Australian fridge manufacturers must buy their compressors at well above world prices from a highly protected Australian compressor industry. But a New Zealand fridge manufacturer buys cheaper compressors at world competitive prices from Taiwan and exports the completed fridges to Australia.

The cheaper compressors, plus the New Zealand export subsidies, give the New Zealanders a price advantage over the Australians, who consider it unfair.

New Zealand is only a small country. Our exports don't usually pinch the shoes of foreign competitors.

So far we've got away with our system of export subsidies.

But the ear tags case could awaken competitors in other countries to the fact that most of our manufactured exports are subsidised by our consumers, taxpayers and Treasury.

We will be shown then to have broken the rules of the game.


Stowaway nabbed

by Gordon McLauchlan

AIR New Zealand recently nabbed a stowaway – a 29-year-old American – and found he had been travelling widely for nothing for years.

His *modus operandi* was to take a boarding-pass from the passenger services counter of the airline concerned, note the style and the colour of the pen used to fill it in, and then flash the pass and get aboard the aircraft. A pause in a toilet until the doors were shut and then into an empty seat.

The technique got him here aboard Air New Zealand and almost got him home again. His problem was that he chose a return flight that was absolutely full.

Air New Zealand is one of the few airlines that tears stubs from boarding-passes and does a reconciliation at the boarding gate. They had one stub more than there were seats in the economy section of the DC10.

They did a head count, and found the American in one of the toilets.

He offered the crew a ticket from his pocket but when it was noticed the coupon for the journey to New Zealand had not been pulled, the game was up. He was handed over to the police, charged with using a document unlawfully for pecuniary advantage, fined, and went back to the United States.

He admitted to travelling widely round America for some years using this method and presumably if he was caught during a toilet check, the production of a ticket on an aircraft which had some empty seats would save everybody a lot of trouble and he would travel to cheat again another day.

Air New Zealand was pleased to have caught him – but is tightening boarding security anyway.

Brains trust on tourism

TOP executives of the major tourism companies went into conclave in Christchurch the other day to try to find a way to climb out of the country's tourism trough.

The meeting was convened by Air New Zealand commercial manager Mat Ramsden, who had said earlier that the airline's domestic services were carrying around 10 per cent fewer passengers than last year and losing $1 million a month in revenue. Ten per cent represented a drop of about 230,000 passengers a year.

The latest Tourist and Publicity Department figures point to a continuing, accelerating decline in the number of Australians coming to this country on holiday – by 10.7 per cent, representing 14,475 travellers, for the year ended May 31.

More recent estimates indicate the decline is now approaching 15 per cent.

There are worries that the growth in the United States market which helped make up for Australia losses last summer is also softening.

Reports from the United States point to a drop of nearly 8 per cent in the number of Americans travelling during July, normally one of their peak summer months. The drop is all the more serious by being measured against the period of DC10 groundings in 1979.

One of the forthcoming tasks facing the industry is to revamp the tourism growth projections produced through the Tourism Advisory Council in 1978.

Industry leaders say all the evidence is that a predicted 8 per cent growth in visitor numbers from overseas and a 5 per cent growth in domestic tourism now look unrealistic.

Bigger boom for Fijians

JAPAN Air Lines is plann to use jumbos on seven of nine flights on the Toky-Nandi-Auckland service ne month because of pressure bookings.

But some New Zealand are becoming unnecessar excited about what they see Japanese tourist boom in Ne Zealand. Well over half t passengers will leave the a craft in Nandi for tourist res in Fiji (many of them ownd Japanese) and go home aga without even seeing Ne Zealand.

More may come here summer, but the Japanese to rist business is still hardly sig nificant.

In the year ended Ma Japanese tourist numbers in creased by 14.4 per cent, u from 14,448 to 17,108, wh represents 3.8 per cent of t total number of visitors comi here. And they will have hurry to make up for the decli in the number of Australia coming here (down nearly 600 in the May year).

Overall, the figures for t May year being bad news. Th Reserve Bank reports trav receipts up by less th $30,000, which doesn't qu keep up with inflation, and t visitors have increased by o 6.1 per cent. This includes su categories as those "stayi with relatives and friends".

The number of "holiday o vacation" arrivals dropped 1 per cent.

Electric vehicles hover on the threshold of new age

by Ben Furby

NOT yet, it seemed at the EVE-80 electric vehicle exposition in Adelaide last month, are we on the threshold of the Ev (electric vehicle) age. But the delegates – including Australians, New Zealanders, British, Americans, Taiwanese, Japanese, Austrians and Swedes – could see positive progress made since the last Australian EV conference at Canberra in October 1977.

The lesson spelt out at Canberra that EVs must be "traffic-compatible" – that is, the same accelerations and top speeds in traffic as petrol and diesel vehicles (ICs) – has been digested and accepted. Practical examples of EVs on display at the exposition had recognised this need and had accomplished it in their designs.

The main reason for seeking an acceptable EV is to reduce dependence on oil and evade its cost. But Japan's multi-million dollar research programme in EVs stems from a different motivation.

Half of Japan's electricity is derived from oil, so any change from oil-based transport to EVs does little to reduce the country's reliance on oil. Rather, the removal of atmospheric pollution from crowded cities and its transfer to the sites of thermal power stations *where the firing of the fuel is* better controlled and dissipated is Japan's interest in EVs.

Absence of immediate atmospheric pollution is not the least of EV advantages. The absence of noise pollution, long vehicle life because of the lack of motor vibration, driver preference, and less maintenance are other attractions.

The disadvantages are the high cost of limited production, which cannot achieve the price reductions of established IC mass production; limited range, of about 70-100 km; battery replacement costs after two or three years' operation; inferior payload; a new discipline of maintenance; and the long refuelling time. The eight or so hours' recharging time can be reduced to a few minutes if the capital cost of a replaceable battery pack is accepted.

Acceptance of EV limitations has been taken into account in the present generation of EVs. Most are delivery vehicles aimed at short, fixed-route uses with light loads such as postal or bakers' vans, or local body work. Only Daihatsu offers a commuter car in addition to a van, priced unrealistically at about $18,000 (this, however, includes sales tax and duty).

One of New Zealand's contributions to the exposition added to the gloom. In their paper Jonathan West of the Liquid Fuels Board and John Noble refuted the idea of EVs for oil-energyless New Zealand.

New Zealand has opted for LPG or CNG use, partly because existing IC technology can be converted without expensively changing to EV technology. The shorter ranges on these fuels pre-empt many of the short-range applications of EVs.

More intensified use of Maui gas increases the amount of condensate recovered to eke out petrol supplies. But in a country that largely depends on hydro electricity, there are not the thermal power stations that *need constant loads to work at* their best. Countries that depend on thermal generation – from gas or coal – are quite prepared to welcome the thought of thousands of EVs being plugged into the mains overnight.

The advantage of hydro generation in starting or stopping as the load varies militates against husbanding water if large-scale generation is needed each night to recharge EVs.

Battery technology seems to have advanced little since Canberra in 1977. EVs are still plagued with the weight of the lead battery, for which improvements have been demonstrated and more still promised. Still in the laboratory seem to be the more exotic couples of zinc-bromium, zinc-chloride, nickel-zinc, nickel-iron, iron-air, zinc-air, sodium-sulphur, lithium-aluminium and lithium titanium which are being intensively researched.

EV . . . a way to evade high of costs and dependence.

Replaceable electrodes and electrolytes are also being considered to speed refuelling.

The re-appearance of the fuel cell, since its early emergence after World War II and its disappointments, was more than a ray of hope. The fuel cell generates electricity if fed with a *suitable fuel such as methanol*, and its prospects seriously suggest better results if coal or gas are converted to methanol for EV use instead of synpetrol for ICs.

Another New Zealand contribution was a paper on Canterbury University's AC-powered EV. The lower-cost AC motor application, pioneered worldwide by Canterbury has been emulated by David Gosden's Bedford van conversion in Sydney, and by research by Lucas and others in Britain and other countries.

Among the problems faced by EVs is that their driving patterns are very different from ICs, and they are disadvantaged by not being able to operate according to their natural pattern, but by having to adapt to the IC driving pattern.

The economics of EV operation were defended by A F Kaldor, of Sydney's Silent Power Company, which has produced a feasible EV. The commercial career of this engineer refugee from Hungary's uprising in 1956, and his success with his computer programming business that led to computer programmer training, supplying programs to clients, to a courier service and now a courier EV, suggest commercial faith in EVs.

Heartening sights for delegates were the Daihatsu commuter car and van, the Gosden AC Bedford van, two Flinders University Bedfords and their unique and state-of-the-art technology, and two Lucas Bedfords from Britain. The South Australian Government has ordered 10 Flinders conversions for use and evaluation, and other organisations such as the Australian Post Office are keenly evaluating EVs.

Among the missing, unfortunately, was the expected NEEV production EV from Christchurch.

The Lucas Bedfords are part of a fleet of 100 under trial around the world, and an ongoing programme of EV development.

The electronic controls of the Lucas introduce radio interference, so a notice in the cab warns that the radio should be used only on tape or FM.

Presumably Lucas is laying in a stock of tapes in readiness for FM-less New Zealand?

Vegetable oil refinery slides into debt

KAIPARA Edible Oils Refinery Ltd, promoted three years ago as a hot money making prospect for the 1980s, has accumulated losses of more than $1 million.

The company was set up in March 1977 by the directors of the Kaipara Dairy Company, Helensville, who hailed the vegetable oil-refining venture as a new industry which would pay shareholders handsomely with dividends and rising share values.

The man behind the venture is Paraguayan "Doctor" Shrian Oskar, an enigmatic man who convinced businessmen in Fiji, Australia and New Zealand that there's plenty to be made from vegetable oil refining (*NBR*, March 31 1980).

Oskar sold the concept to Kaipara Dairy Company's then chief executive, Ken Burnett.

Burnett – who has since quit to become chief executive of Kaipara Edible Oils Refinery (KEOR) – enlisted the help of former Air New Zealand chairman Sir Geoffrey Newland Roberts. Roberts also bought the idea and subsequently became chairman of KEOR.

In the heady days of 1977, Burnett wrote what amounted to an unofficial prospectus, urging local farmers to invest in KEOR. This document – distributed at a special meeting in the Helensville War Memorial hall on March 23 1977 and collected at the door at the close of the meeting – contained net profit projections which painted a rosy view of future operations.

The document projected a profit of $468,000 for the half-year to March 1979, with subsequent annual profit rises to $1.3 million in the 1983-1984 year.

These were the optimistic projections that lured dairy farmers into investing in Kaipara's scheme to make margarine from soya beans and sunflower seeds.

But the profits turned to losses and mounting debts.

KEOR lost $772,676 in the March 31 year, its first trading year. It had losses of $239,887 going back two years, making accumulated losses to date of $1,012,563.

KEOR's balance sheet at March 31 shows shareholders' funds have fallen by $113,376 from 1979 to $1,112,437.

The company has also managed to incur an extra $488,212 in preliminary (or pre-operational as it calls them) expenses. These totalled only $80,875 in the 1979 year, when Roberts said in the annual report that they would be amortised over a five-year period starting when the refinery becomes operational.

In the 1980 accounts, Roberts says the amortisation (no explanation has been given to shareholders on the sudden increase of preliminary expenses) began on April 1.

The balance sheet shows total assets up by $3,579,265 to $7,907,883.

But $2,514,880 of this is raw materials and stock in transit. Most consists of crude and refined vegetable and fish oils which are subject to volatile price changes.

Since President Carter's grain embargo on the Soviet Union, the world price of soya bean and sunflower oils has fallen.

Total liabilities are up $3,621,717 to $6,795,446.

These include bills payable (for oils) of $3,257,438, creditors $388,146 and large National Bank loans.

Overdraft is up $265,736 to $1,425,340 and term loans with the National Bank are up $700,000 to $1 million.

Oskar has an outstanding loan balance of $724,522. That stems from a $US800,000 loan (at 8 per cent) which was applied to the purchase of Oskar-supplied refining plant in July 1978.

KEOR paid $142,833 interest on its fixed loans last year. The company's auditors, Hutchison Hull & Co, tagged last year's accounts with some cautionary comments.

They say: "The financial statements have been prepared on a going concern basis, the validity of which depends substantially on the proposals which are to be placed before shareholders for an increase in capital and which are referred to in note 13. Accordingly, the financial statements do not take account of adjustments, if any, which may be necessary if the company is unable to continue as a going concern."

They continue that the balance sheet and profit and loss statement give a fair view of KEOR's affairs.

But they say it is subject to the increase in capital and the company's non-disclosure of sales.

Roberts says in his report that sales have not been disclosed "as the directors consider this disclosure is not in the interests of the company".

Note 13 to which the auditors referred is a notice of proposal to increase KEOR's share capital by 2,025,000 $1 shares to $4,150,000. This proposal was carried after the annual general meeting on June 20.

The increase is badly needed because the company is under capitalised and has substantial bills to pay and loan repayments to make.

Although KEOR's 300-odd "C" class shareholders (mainly local farmers and Kaipara Dairy Co staff) voted for the increase, few, if any, wanted to take up more shares.

KEOR was originally set up with a paid share capital of $1.5 million divided into 165,000 A class ordinary $1 shares (subscribed by Kaipara Dairy Co) 600,000 B class shares (subscribed by Oskar, and applied to the purchase of plant he supplied) and 735,000 C class shares.

The capital was increased by a $625,000 12 per cent convertible note issue last May. It matures in April 1982 and is spread through the A, B and C classes.

Unsubscribed C class shares were held by Kaipara Dairy Co which offered them for sale to its own subscribers without much success.

Kaipara Dairy Company later sold 315,162 of the C shares to its subsidiary – Kaipara Exports Ltd. Kaipara Exports, a $100 capital company, borrowed $315,000 from the ANZ Bank to finance this share purchase.

KEOR secretary Rod Moyle who is also the dairy company's secretary, confirmed that the farmers did not want any of the 2,025,000 new shares.

Since the EEC increased its dairy product prices, New Zealand dairy exports have been booming and farmers can expect rising prices for milk products. Thus the alternate investment in a margarine plant was becoming less attractive, Moyle said.

Moyle confirmed the 2.025 million share issue had been privately underwritten. Now that the shares had not been taken up by the farmers the underwriter would have to take them, he said.

Moyle would not confirm that the mystery underwriter is Oskar, whose relationship with Roberts and the rest of KEOR's board seems a little strained.

NBR approached Roberts early in July with questions about KEOR and a new venture, Whangarei Oil Extraction. Roberts suggested we wait till Oskar arrived and things were "finalised".

Roberts suggested we talk to Oskar because he was the man with the details on edible oil extraction and refining and promised to arrange an interview for us.

But Oskar has been and gone twice since July. Neither Roberts nor Oskar were prepared to answer any questions about KEOR or Whangarei Oil Extraction.

NBR also approached Burnett, Kerr's lawyer, Roger Craddock, KEOR's plant manager, Tom McKeever, KEOR's company secretary, Rod Moyle and the financial controller, Alec Wilson, to be told in each case that inquiries should be directed to Roberts.

Roberts insisted Oskar was the man to talk to.

Oskar refused to be interviewed "until things had crystallised".

He said he would be back in Auckland mid-September and would ask Roberts to arrange a meeting.

He said he was ill – "I've had a real medical doctor here" – and refused to accept written questions for answering at his leisure.

He said: "Why don't you ask Sir Geoffrey Roberts your questions?"

NBR told Oskar that Roberts wanted him to answer them.

Replied Oskar: "Well I don't think it's fair. I'm not a director of the company – I don't think it's fair on me".

According to the Company Office records, Oskar resigned on June 20 as a director of KEOR. He was replaced by Anthony Barber, manager of a similar refinery set up by Oskar using state government backing in Bunbury, Western Australia.

Oskar also sold his 600,000 KEOR shares.

He sold them to a company he claims to own, Sunflower Investments Ltd, of 80 Broad Street, Monrovia, capital city of Master-sergeant Samuel Doe's tax shelter banana republic – Liberia.

Sunflower Investments sold a 100,000 parcel of these shares to Food Industry Holdings (Pty) Ltd last February.

This is another Oskar company.

But KEOR's "C" class shareholders have been kept in the dark about these comings and goings.

NBR phoned Burnett the other day to ask about the share issue and Whangarei Oil Extraction Ltd.

He said there was no story. "If you try to make a story out of it you could be in hot water because there is no story I can assure you. So don't try to make one out of something where there isn't one. When we do have the story you won't get it because we are trying to get together a good story on Whangarei Extraction I can promise you," Burnett said.

Icecream export hopes melt in Dubai heat

DUBAI is not shaping up as an icecream marketing base to the Arab Emirates for the Kaipara Dairy Company.

KDC became involved in Dubai in 1977 in a deal arranged by Paraguayan Shrian Oskar.

Oskar – who was trying to set up Kaipara Edible Oils Refinery at the time – put up the deal to offset imports into New Zealand of several million dollars worth of vegetable oil refining plant he was supplying Kaipara.

He took 10 per cent and Kaipara Dairy Company took 10 per cent of a company formed to build and operate a milk recombining plant, United Kaipara Dairies Ltd. Kaipara Dairy's share cost $136,293.

The other 80 per cent of the company is owned by the Arab Emirate Bank.

Two hectares of land in Dubai were donated to the new company by the local ruler, Sheik Rashid, with a proviso that the plant be constructed. But the trouble-plagued project came on stream more than 12 months late.

Former Kaipara executive Keith Cowper, who had been managing the Dubai project, left the job before it came into operation in June last year. He didn't work out his two-year contract.

Former Butlands Industries Ltd secretary Tom Lamb succeeded him.

But Oskar was having trouble with local Arab investors and one of the plant suppliers from Britain.

NBR understands Oskar re-invoiced plant sent by this firm, adding a premium of his own before billing the Arabs. They realised it and wanted him out. He has since quit his 10 per cent share.

A legal wrangle developed between the British company, Imperial Foods Ltd, and Oskar.

On May 17 last year, Imperial Foods' directors issued a statement: "We are in dispute with Dr Oskar over a number of points and are taking legal action as a result." London sources say the dispute involves transactions valued at around $US1 million.

Last October, Prime Minister Rob Muldoon opened the Dubai plant. All Kaipara's board members attended.

(It was at that time that Kaipara Edible Oils Refinery produced the muddy margarine which found its way into a number of stores; some retailers were reportedly angry when they found there were no executives around to explain.)

Kaipara Dairy Company is reluctant to talk about Dubai. But its 1979/1980 annual report says "difficulty has been experienced in establishing the plant which delays have aggravated marketing problems in the Emirates environment, now showing signs of economic recession".

The company is losing money on the deal and its future in Dubai looks bleak.

Kaipara Dairy Company says it has exported 166 tonnes of spray skim powder and 90 tonnes of anhydrous milkfat to the Dubai plant.

There are 21 refrigerated trucks which can deliver icecream, milk and yoghurt. But the small exports of skim milk and milkfat suggest they are not delivering very much.

Kaipara Dairy had a 12-year contract to supply $3 million worth of powder and milk fat a year, based on the New Zealand Dairy Board's export price, plus a 10 per cent premium.

Latest word from a highly placed Kaipara Dairy Company source is that Sir Geoffrey Roberts, chairman of KEOR, is "over there, sorting things out".

State backs money in new refinery

THE West Australian State Government is underwriting $5 million for Shrian Oskar's edible oil refinery and seed-crushing plant, which local experts claim has been established in the wrong place, according to Frazer Guild, special writer for Perth's *Daily News*.

Guild says swift approval for the $19 million Bunbury operation (70km south of Perth) stunned farmers in the south-west and amazed seed producers and distributors in the eastern states and the established edible oil industry.

Guild says farmers were not consulted about the proposed new industry and the established edible oil industry says Oskar's project, sited where it is, won't last.

The plant, built by Oskar's Bunbury Foods Ltd, is almost a carbon copy of the Helensville edible oil refinery of Kaipara Edible Oil Refinery Ltd (*NBR*, last week).

Guild writes that if Oskar's Bunbury plant fails, taxpayers will lose more than $1.5 million.

"Those making gloomy predictions today will then demand to know why things moved so quickly and quietly to establish a controversial operation backed with public money," he says.

"And they will ask what pressure was applied to the Government for it to take what they see as a multi-million-gamble.

"As with similar ventures overseas, Dr Oskar and his organisation were able to convince the WA Government that the proposition was viable and therefore a good risk.

"It was given a green light – and substantial Government loan guarantees – to join battle in the highly competitive Australian and world markets."

A key West Australian Government minister who helped Oskar establish the Bunbury refinery was at the Helensville refinery opening.

The all-expenses trip by former Industrial Development Minister, Andrew Mensaros, in July last year was paid by Oskar, through Bunbury Foods Ltd.

The $5 million Government guarantees had already been granted, on the recommendations of the Department of Industrial Development, which was administered by Mensaros at the time.

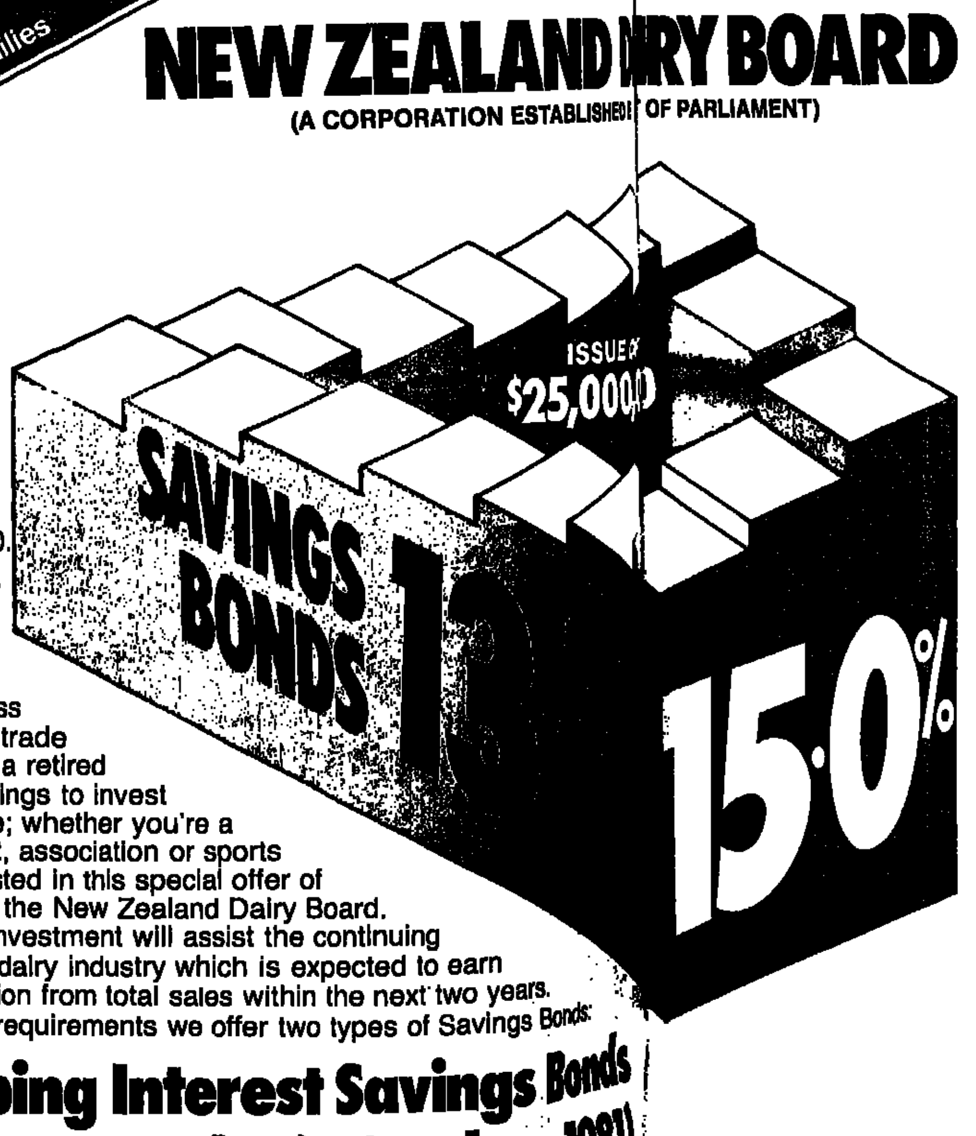
Mensaros, now Minister for Works and Water Resources, declined to be interviewed by Guild.

Written questions were submitted to the Government. One asked why his trip was necessary after the decision to back the company had been made.

"The Minister undertook the trip because of the opportunity it gave him to see in operation a plant similar to the one the Government was supporting in Western Australia," was the reply.

Among Oskar's influential guests at the Helensville opening was the chairman of the Australian Industrial Development Corporation in Canberra and his wife, Sir Alan and Lady Westerman.

Others who enjoyed the company's hospitality included Tasmanian Federal MP Mike Hodgeman (Oskar is trying to interest the Tasmanian Government in a Helensville-sized vegetable oil refinery), and New Hebrides Airways chairman B V Paul.



Compromising suggestions

IN your June 9 issue you published a lengthy account by Rev John Howell, of the Environmental Council's review of the Government's indigenous forest policy. It was critical of the Forest Service, of the Environmental Council and its support staff, the Commission for the Environment and the Minister for the Environment. There was a strong inference that the review had been white-washed by the presence of public servants at the working party and council discussions and more than an inference that their participation compromised the independence of the report.

The probability that suggestions of this sort would arise was anticipated by the Forest Service and was one of the reasons for seeking to withdraw from the council's deliberations on the indigenous forest policy. The difficulty of being both a participant in, and the subject of a review of this sort will be readily enough apparent. As the article stated, the council's preference was for continued participation by Forest Service officers.

The upshot, which is clear from the Rev Howell's account, was protracted and often repetitive discussion, much of which resulted from the bringing in of new information. The reasons for this were less clearly conveyed by him. Much of the "new" material, including some of the conclusions, appeared for the first time in draft reports purporting to express the views of the working party but without the benefit of prior discussions by its members. Such conclusions were commonly unsupported by information or argument in the report itself but did reflect the main thrust of a vigorous conservation campaign centred on the future of Whirinaki State Forest, and proceeding at the same time. One of the draft writers was closely associated with the conservation organisation conducting the campaign and took a more active part in compiling the report than his basic task of recording working party discussions.

The main cause of delay was therefore the need to repeatedly challenge unsupported "conclusions", as well as the re-inclusion in drafts of material which had already been queried on close examination and which it had been decided to delete or amend. I reject the inference that delay was caused first by difficulties of getting information from the Forest Service, and secondly by my introducing "new" information. I considered, and still do, that the Environmental Council should be able to critically examine the arguments of both sides and set out the logic of any conclusions or recommendations that might be made in final reports to Government. The Forest Service accepted that in this case there would be differences of opinion between the department and the Environmental Council and that this made it even more important to document the arguments so that two streams of advice could be compared and weighed up.

I make no apology for pressing for the reasoning, as some of the recommendations would have required changes to a policy that had been tightly reasoned in the first place by a wide range of interest groups before endorsement by the Government.

A Kirkland
Deputy Director-General
New Zealand Forest Service

THIS letter was sent to us on June 26, but was mislaid in our office. Our apologies to Mr Kirkland for the delay in publication — Editor.

Reserve bank functions

I REFER to Mr O'Brien's review (*NBR*, August 18) of a recent mimeograph we issued to certain organisations. Mr O'Brien's representations of the content of the mimeograph, *The Operation and Functions of the Reserve Bank of New Zealand*, and his representations of its price are erroneous.

We do not state that there are discrepancies between advisers' recommendations and policy measures. We do not say that political considerations bar moves to abolish the government security ratios. We do not say that compulsory ratios make little economic sense. These are Mr O'Brien's conjectures.

Finally, as the report is not "published" and is not for sale to the public, we are somewhat bemused by the fact that Mr O'Brien wastes four columns of the review advising your readers on how to cut the hypothetical cost of $35. Mr O'Brien should check his sources; if he had he would have found out that only 12 copies of the report and its appendices were made. Ten were distributed free of charge to certain organisations. The recipients were advised that extra copies could be made available at $35 each, which I estimated to be our duplicating costs. However, we subsequently decided that they would be far better to make such copies themselves as we do not have the facilities to provide the copies at a reasonable price.

On August 1 a letter to this effect was sent to the recipient organisations and they were told that they could proceed along the lines that Mr O'Brien suggests should they wish to make further copies.

D K Sheppard
Professor of Money and Finance
Victoria University of Wellington

THE price question was corrected in *NBR* August 25.

The article was not intended to attribute Peter O'Brien's "conjectures" to the authors. He tells me: "I was trying to deduce what is happening in monetary policy (and Sheppard should know that the 'conjectures' have a solid factual base). Anyone who took the 'conjectures' as the authors' statements would, by definition, expect specific statements from university economists; an interesting proposition."

O'Brien says he is pleased to see that you told the organisations "that they could proceed along the lines Mr O'Brien suggests should they wish to make further copies". — Editor.

McLay called in to referee incorporated name game

by Mary Varnham

JUSTICE Minister Jim McLay is looking into two decisions by the Registrar of Incorporated Societies after one of the groups affected claimed the decisions were glaringly inconsistent.

In almost identical circumstances, the registrar's office refused registration to one women's organisation but granted it to another.

The Society for the Prevention of Unwanted Children was refused registration on the grounds that the similarity of its initials to those of another organisation with opposing views would not be in the public interest. The other organisation, the Society for the Protection of the Unborn Child (SPUC) is not, in fact, incorporated.

Just over a month earlier, an anti-abortion group was granted registration under the name New Zealand Working Women's Council despite the fact that a different group, with opposing views, had been in existence and active under that name for more than five years.

Questions are being asked about whether the screening process for applications for incorporation is as comprehensive or thorough as it should be. The registrar's office, a division of the Department of Justice, handles some 20,000 applications a year.

According to registrar E A Gould, his office approved the registration of the New Zealand Working Women's Council *without knowing that* a group of that name already existed. While acknowledging that the office had a responsibility to prevent organisations having their names stolen, either deliberately or accidentally, he said there were a limits to the amount of checking they could do to prevent such a thing happening.

"There's always the possibility of some slipping through," he told *NBR*.

Application for registration of the NZWWC came as a result of a meeting called in Dunedin on July 17 to form a branch of the original council, which has been active in promoting the controversial Working Women's Charter. The meeting was taken over by a large group of women hostile to the charter, particularly to Clause 15 which calls for the removal of all legal impediments to safe contraception, abortion and sterilisation.

The organisers of the meeting finally walked out and those who remained agreed on a new set of objectives, including support for "legal protection of all human beings from conception until death".

The application for incorporation, which has emerged as a deliberate attempt to misappropriate the name, was made to the Dunedin registrar the day of the meeting, after a query on June 11 had revealed that the original group had not registered the name.

Those involved feel that the strong anti-abortion group SPUC may have been behind the takeover, a claim denied by national president Marilyn Pryor. Pryor told *NBR* she knew nothing about the registration of the NZWWC until she read about it in the paper. She said that one of the women involved "might be a member of SPUC".

The society, founded in 1970, has 75 constituent societies and claims a membership of 50,000.

The original Working Women's Council, which must find another name unless it can have the decision revoked in the High Court, was founded in 1975, after the United Women's Convention was convened by Sonja Davies, now a member of the FOL national executive, along the lines of a similar organisation in Israel. It has about 500 active members.

It adopted the Australian-inspired Working Women's Charter in 1977 and has since worked to have it implemented on a national level. The charter was endorsed by both the FOL and Labour Party conferences this year by large majorities, despite some fiery debating by its opponents, especially on Clause 15.

Council members decided to dramatise the inequities of the registration system by applying, on August 12, for registration of a society with the same initials as SPUC. After some correspondence, Gould rejected the Society for the Prevention of Unwanted Children on August 28.

"I have come to the conclusion," his letter said, "that the similarity of initials to those of another unregistered organisation cannot in commonsense and in the public interest be ignored, particularly when that other organisation appears to represent an opposing view on a subject central to the beliefs promulgated by your organisation."

The applicants do not argue with the logic of Gould's explanation but have pointed out to McLay that, had the same criteria been applied in the case of the Dunedin group, they would not have been allowed to register under the name of New Zealand Working Women's Council.

He added that he now had before him an application from the Society for the Protection of the Unborn Child which he would approve if no appeal had been lodged within two weeks.

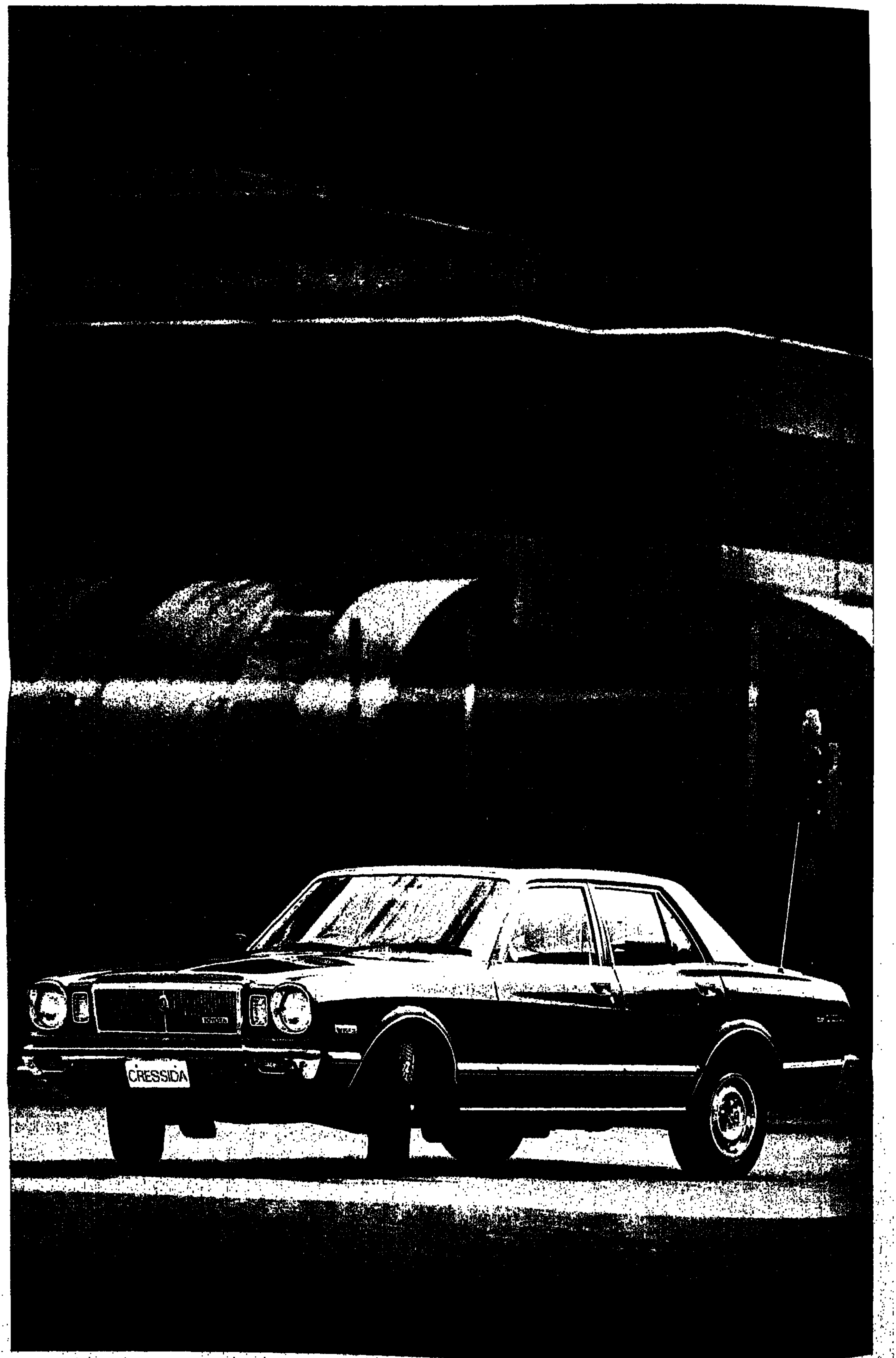
All applications for registration, wherever they are lodged, go through the Wellington district office for checking against the master list of incorporated societies and companies to make sure there is no conflict of name. At this stage those with similar names to unincorporated bodies may also be weeded out, but only if the person doing the checking happens to know of their existence — a catch-as-catch-can system.

Deputy Registrar Ted Verrity told *NBR* that because of the volume handled, the checking was done "at a low level. You might know of the Working Women's Council but a 20-year-old might not know."

Verrity's other explanation was that they "had no reason to think the people applying for the name were not the same group who had been using it for five years" — a claim hotly disputed by members of the original council who point to the wide press coverage of the stormy meeting on July 17, particularly in Dunedin.

Certainly little time appears to have been spent checking the application. It was approved on July 18, just one day after it had been submitted to the Dunedin office.

Under the Incorporated Societies Act 1908, the registrar has no power to revoke a registration once it has been made. The group's only recourse now is to take their case to the High Court, which could prove costly. Organisations are not eligible for legal aid.



Cressida.

Toyota announces a rare car.

Cressida combines technology that is uniquely Toyota, with luxury that success deserves.

Here is more sheer comfort and prestige than one might reasonably expect.

A quick two litre engine gives you thrust without thirst-a very responsible consideration for thinking owners.

The instrument display includes, amongst other uncommon delights, a quartz crystal clock and fully integrated cassette stereo.

The front seats are infinitely adjustable,-and the driver's seat embodies a lumbar support zone which you adjust to gently ease lower back fatigue.

And because Toyota make the Cressida, all this luxury is on top of quality.

Not instead.

Cressida.

At the moment 5 speed manual $12,500 and automatic $13,000.

TOYOTA
Ahead in the 80's.

TOYOTA NEW ZEALAND LIMITED
Prices and specifications subject to change without notice

46473

THIS survey on the plastics industry is prepared by David Peach in association with the Plastics Institute of New Zealand.

Unit offers its services

TRADE and Industry's Investment Unit is surveying local companies to identify those seeking joint-venture assistance to carry out expansion and the development of new products and export markets.

According to unit director, Malcolm Craig, the Investment Unit has assisted more than 240 companies and individuals wanting to invest in New Zealand, since its establishment in July 1979.

He said the assistance already given has mostly involved establishing contacts on behalf of overseas investors, giving advice on investment proposals and suggesting how investment proposals can be prepared and presented in a way which would maximise the chances of early acceptance.

Craig said the unit was currently seeking to improve its service by inviting contact from other New Zealand companies which are interested in expanding their local operations or establishing new activities with the help of local or offshore joint-venture partners.

"An initial number of companies have been identified and the unit is now working to locate suitable partners for them," he said.

Craig maintained that some plastics manufacturers could well benefit from the services offered by the unit. He said the range of both local and overseas contacts the unit has developed could help to develop markets for products overseas or even aid companies in diversification programmes.

Materials supply cases

THE supply situation for most plastic raw materials has eased considerably over the past few months according to Plastics Institute raw materials representative Brian Pickering.

The United States recession in particular, has made surplus materials available to the New Zealand market at very competitive prices, he said. Material is being offered in spot lots which would often not be available in times of a more bouyant economy in the country of origin.

Pickering said low density polyethelene has been subject to wild fluctuations in similar previous situations and prices are down considerably on those offered only six months ago, as there is a considerable surplus in the United States. Material is commonly being offered in spot lots at around $US1050.

High density polyethelene supply has eased, but there is not a great surplus compared with low density polyethelene.

Prices have dropped slightly, but there is no surplus in Australia, a traditional source for a part of New Zealand's usage, he said.

"Polypropylene must be the most freely available material with an over-supply situation in United States as well as in Australia, now that both ICI and Shell's new plants are on stream there," he said.

In the United States, domestic prices for polypropylene were increased by some manufacturers by 6 cents a pound in April to stop moo- omer suppliers from placing their material in other areas where better returns could be expected, he said.

Pickering said there was a strong demand for propylene alkylate as an octane booster in un-leaded gasoline.

The New Zealand supply of polypropylene is more likely to be dominated by the Australian manufacturers and we can expect a competitive situation over the next years, he said.

PVC resin prices have come down considerably and appear to be offered at around $US850.

Styrene prices have also eased a little, as it is in a better supply situation. And the Benzene shortage, which was apparent toward the end of 1979, appears to have corrected itself.

It is really a similar situation to 1975-1976 and it is hard to predict when the United States economy will pick up and absorb much of the surplus material, Pickering said.

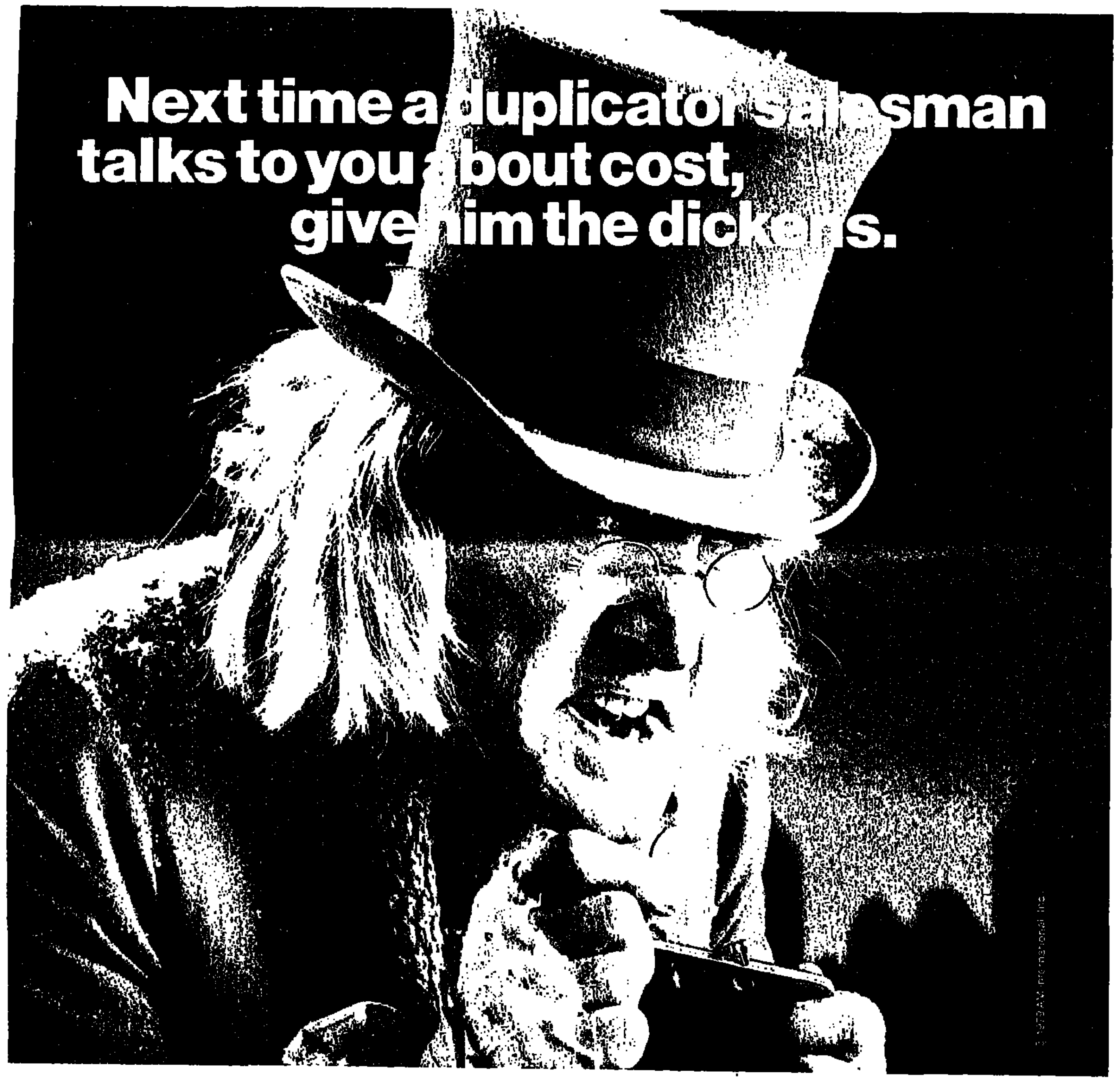
"When this does happen, material prices will quickly pick up and the chemical companies will be eager to recover the increased costs of feedstocks following the latest OPEC decision, as well as other increased costs in labour and transport", he said.

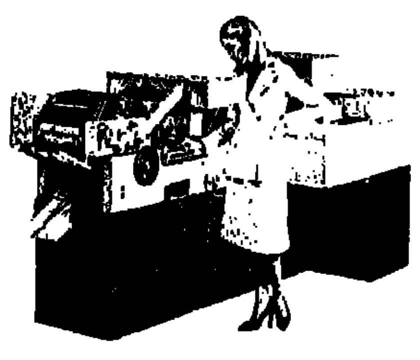
Packs provide for processors

SEVERAL unique features in a planned standard range of light-weight plastic packs should prove of interest to manufacturers and food processors, according to Calvert Plastics' manager Murray Calvert.

He said the purchase of an "Illig" in-line pressure former, which moulds and cuts in one operation, will enable the company to expand its operations from the manufacture of trays, large containers, animal breeding boxes, tote boxes and the like.

"With our Caltane range, we will now be able to supply an assortment of small disposables such as yoghurt containers and meat trays," Calvert said. "We believe we can offer several unique features with our range. As we consider this field has considerable potential, we will also offer to design for specific long-run applications and will arrange for all tooling," he said.





Myths take a battering

POPULAR myths and misconceptions about the production and use of plastics are resulting in a distorted view of the worth of the plastics industry to this country, according to Plastics Institute Wellington branch president Colin Angus.

In an address to the Petone Rotary Club, Angus said the industry is increasingly being asked to justify its existence, when the facts plainly show the industry makes up the country's seventh largest employer and is a major contributor to the national balance of payments.

Angus said one of the greatest misconceptions about plastics was that they are wasteful of scarce energy resources.

"For years we have been told that plastics waste an expensive and finite resource which could be put to better use elsewhere in industry. Frankly, this is absurd nonsense," he said.

He said rather than waste energy, plastics make unrivalled good use of it, affording savings even in production.

He quoted a recent study completed at the University of California which shows plastics require far less energy to produce and add far more value to the raw material than any of the traditional competing materials.

Angus said the study results show a significant difference in the number of kilowatt-hours consumed to make plastics and other materials.

For a given weight, figures show plastics fabrication requires 1.4 kilowatt-hours of energy. For the same weight, 3.2 kilowatt-hours are required to make paper, 3.6 to make glass, 6.3 to make steel and 33.6 to make aluminium.

Angus said the figures also indicate that only about 5 per cent of the current world production of oil and gas is directed toward petro-chemical industries and less than 1.5 per cent of this is channelled into plastics manufacture. He suggested that if all plastics manufacture was stopped immediately the probable ultimate reserves of oil would be extended by only a few weeks.

Angus said environmental pollution was another criticism often levelled at plastics. "If this means articles made of plastics are disposed of in the wrong place at the wrong time, then people are guilty of pollution, not plastics," he said.

He said statistics have shown that plastics are only a small part of New Zealand's solid-waste problem. Plastics represent less than 3 per cent of all solid municipal waste and current plastics can be, and are being recycled.

Some, he said, are being recycled as fuel. The heat value of solid waste represents a practical 6 per cent of the total mass. Its typical heat content, when burned, is about 4700 British Thermal Units (BTU's) per kilogramme. Plastics waste, though, has a heat content of 19,000 BTU's per kilo, comparable to that of fuel oil and higher than some of the better grades of coal.

He said other types of plastics materials were being reprocessed into other types of products like rubbish bags.

Angus said other less degradable plastics are now recognised as stable land-fill material. Plastics form a stable base for land reclaimation and do not release toxic substances which can pollute water tables.

Agnus said the Plastics Institute recognised that environmental protection and enhancement was a necessary partner to progress and this was paramount in the minds of manufacturers.

He said the plastics industry is increasingly moving toward producing the type of product that is essential to our modern way of life.

He pointed out the immense contribution plastics have made to the medical profession in recent years. Artificial heart valves, kidney dialysis units and many advanced surgical techniques owe their existence to plastics technology.

"Plastics are no longer substitute materials, but are used today in applications where no comparable alternative exists," he said.

Energy saving role increases

PLASTICS and other synthetic materials play an increasingly important role in saving energy, an independent research agency reported recently.

The Washington-based Worldwatch Institute said plastics were being used widely for home-heating insulation, solar-power equipment and as energy-saving substitutes for natural materials, such as fibres used in clothing, metals for cars and wood products.

But the report has criticised the wasteful use in the United States of plastics for some forms of food packaging.

The institute maintains that it would not require a major social revolution to do away with the polyethylene pouches in which many frozen vegetables are now cooked or the polystyrene boxes in which some American restaurants sell individual hamburgers and the like.


Bruce Dunlop . . . tailored to suit.

"Improved efficiency in the production and use of synthetic materials will be crucial in assuring their role in the coming decades," the report said.

"The United States' tendency to overpackage many products is spreading to Europe, Japan and even some third world countries," he said.

Some 10 million tonnes of plastic are used annually for packaging in the United States, a far smaller proportion is really necessary, the institute said.

It recommends improving the recycling of synthetics which could save up to 90 per cent of the energy used in their production.

Plastics Institute of New Zealand executive director Bruce Dunlop, commenting on the report, said the American situation was considerably different from that found here.

He said the local manufacture of plastic food packaging was highly efficient — something that was shown up in recent submissions to the Industries Development Commission — and was tailored to suit particular products, notably dairy, which needed to be packaged in a way that was acceptable on the international marketplace.

Dunlop said most of New Zealand's vital dairy produce — meat and cheese — relied heavily on plastic vacuum-packaging films.

Cheese mould has been almost eliminated through the use of vacuum-packaging and all chilled meat exports need plastic packaging.

"Without this form of packaging our products would be unacceptable on export markets," Dunlop said.

He said the role of plastics materials was destined to become all-important in coming decades as packaging materials, as their energy savings potential — especially in manufacture — became better known.

Already, considerable research into recycling plastic materials has been done in New Zealand and there are at least two major plants around the country which are recycling plastic packaging waste, Dunlop said.

Waste materials just keep coming back for more

by Trevor Duston

TREVOR Duston is new product and development manager of Christchurch's Mainguard Packaging Ltd. He has recently returned from an extensive overseas trip which included an in-depth study of plastics recycling.

THERE are three distinct areas of plastics "waste" materials. The first is in-house waste. For many years this material has been reground, mixed with virgin and reprocessed. It has often been the profit area of a particular job and many manufacturers carry on the process without really thinking about it as a waste reclamation function.

In order for this process to be successful, the processor needs to keep the material clean and free from contaminants — and separate various grades, melt indexes and the like.

Indications are that more than 90 per cent of plastics processors are involved in operations of this nature and as material costs increased more people have adopted "in house" processing.

The second area is industrial waste. This encompasses material which is waste in one company but can be utilised by another, after cleaning to remove contaminants and possible re-constitution to restore basic handling characteristics. At one end of the scale is the "off grade" material produced in the manufacture of basic raw materials.

One overseas producer indicated that some 1 per cent of his complete production came in this category. This represents a vast storehouse of potential material (currently not available to New Zealand manufacturers as we do not have raw material production facilities).

At the other end of the scale is the recovery of material from industrial users, especially when it has been used once for packaging.

This operation is being undertaken efficiently by Plastic Granulators at Otaki and another plant is being established in Christchurch by Hugh Bower. These operations will cope with the quantities of waste from this area.

The final area is post-consumer waste. This is all the other plastic materials which are in the solid wastes disposal stream. Here is the greatest potential — the greatest rewards — and the greatest problems.

All plastic wastes represent only 3-4 per cent of the total for disposal. It is generally of low density, which means great volumes are needed to achieve reasonable weight concentrations.

The plastics are also spread thinly through domestic wastes and liberally coated with dust, dirt and food wastes. All these contaminants work against easy separation and cleaning.

In the United States separation trials have been conducted, and while it is possible to separate the plastics out of solid waste, the economics do not justify the effort.

There, it was decided to remove metals, glass and possibly paper, then use the balance as fuel. In this way, they recover the energy in the form of steam or electricity.

Similar operations are being utilised throughout Britain and Europe. Some minor problems have been encountered in selling the energy, but in most cases these have been overcome and progress is being made.

From the New Zealand point of view, the limiting factor is capital investment. A plant developed by Warren Springs Laboratory for use at Doncaster, South Yorkshire, cost about $1.2 million. This is a size which could be utilised here but it will require careful market analysis before any commitment is made.

There are a wide variety of options in this technology: the fuel can be shredded and used in specially designed furnaces; it can be formed into pellets and used in conjunction with coal in existing furnaces; it is even possible to use pellets in domestic applications.

While the technology is available, markets will need to be developed. Local authorities and the public will have to recognise that disposal costs will only rise. In locations where landfill is at a premium it is a viable alternative.

In Holland, where large quantities of refuse have been incinerated for years, the advantages of separation plants are most attractive. Metals and paper are recovered, compost is made for conditioning the soil and residues are burned to create the energy to operate the plant.

This is possibly the best solution where 13 million people are crowded into an area equivalent to Canterbury province. Again the costs of setting up plants run into millions of dollars.

For about 15 years, the Municipality of Rome has been operating a similar separation scheme in conjunction with a group of private companies. Slightly different technology applies and the operations are spread through several plants circled about Rome.

Plastic refuse bags used for the collection, are split and separated from the general stream early in the process. They are baled and taken to another factory.

There they are shredded, washed, dried and added to regular material to be made into refuse bags for collection purposes. This is an almost perfect example of recycling and complete utilisation of materials.

Again, capital costs are high. Also the volume of refuse from some four million Romans in a 48-kilometre radius makes the economics of daily running most attractive.

A different approach is being undertaken in the Federal Republic of Germany where a continuous pyrolysis process plant is being built. Laboratory experiments are complete and the prospects for recovery of volatiles — to be used for raw materials feedstocks — are very good. Further time will be needed before the economics of the process are proved, but currently prospects look good.

With all this technology at a fairly high level of development, the obvious question will be: why isn't plastics material being recovered and reused?

In fact, material from in-house and industrial sources is being recycled — sometimes at levels which must make other industries envious. "Waste" in these instances is limited to hard lumps formed in start-up procedures and the like. Even these are being recovered in a new generation of drum softeners which have just been introduced. Reclamation in these areas will reach levels of 95 per cent and even 100 per cent within the next year or two.

To achieve results with post-consumer wastes — and this applies to other materials as well as plastics — we need to define a national policy involving industry, local and central government, environmentalists as well as consumers.

We need to ensure no repetition of the situation in the United States where irrigation piping was being made from "waste" plastics but local government regulations prohibited its use. In such a climate, recycling efforts were being inhibited. The difficulties of establishing economic operations are substantial without imposing added problems.

A more positive approach would be to set up attainable quality standards to ensure the product performs adequately.

Further, we have to remove the overlapping responsibilities of various government departments and agencies. In the field of resource recovery the primary responsibility has been accepted by Trade and Industry. The Commission for the Environment can also operate in this area — and on a broader base, many of the policies affect our Energy Ministry. As so much reclaim material would need to be transported to centralised plants, one could also include the Railways Department and Transport Ministry.

Under the present structure, much effort will be watered down by inter-departmental friction caused by goals which are not compatable. This would be the best we could hope for and assumes the highest levels of co-operation. If we are seriously concerned about recycling materials, a universal policy needs to be developed — and implemented.

To get results we need to bring together all interested parties, establish a steering committee to explore the options available, and develop a master plan for the next 10 years. The plan would need to be accepted at all levels so that it is placed beyond political considerations.

There are so many potentials for the intelligent management of materials. Brazil is recovering gas from landfills and using it for cooking and heating. Japan is reclaiming land in Tokyo Bay, to make reserves and recreation areas. The Dutch are actually making usable products from contaminated waste. In South Africa they are producing gas from refuse-derived fuels.

Potential exists all over the world to involve voluntary groups in separating components at source before they become part of the solid waste stream.

Our record in this direction is already very good compared to overseas efforts. In glass bottle recovery and re-use we are equal to or better than anything I saw overseas.

There is little doubt we can adopt and adapt those technologies which will suit New Zealand conditions on the scale we require and at the level of development needed.

We must be concerned with defining the problems, researching the size of solid waste, volumes and establishing clear cut goals and targets for utilisation of all "waste" materials.